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HEALTH BENEFITS PROGRAM FOR CERTAIN
RETIRED GOVERNMENT EMPLOYEES

HEARINGS
BEFORE THE
COMMITTEE ON
POST OFFICE AND CIVIL SERVICE
HOUSE OF REPRESENTATIVES
EIGHTY-SIXTH CONGRESS

SECOND SESSION

ON

S. 2575 and related bills

BILLS TO PROVIDE A HEALTH BENEFITS PROGRAM FOR
CERTAIN RETIRED EMPLOYEES OF THE GOVERNMENT

JUNE 17 AND 20, 1960

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HEALTH BENEFITS PROGRAM FOR CERTAIN RETIRED GOVERNMENT EMPLOYEES

FRIDAY, JUNE 17, 1960

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE OF THE COMMITTEE ON
POST OFFICE AND CIVIL SERVICE,
Washington, D.C.

The subcommittee met at 10 a.m., in room 213-A, Old House Office Building, Hon. James C. Davis (chairman of the subcommittee) presiding.

Mr. DAVIS. The subcommittee will come to order, please.

I would like to announce at the outset that I have had a message from Mr. Broyhill stating that prior to the time this subcommittee meeting was set up he had made an engagement to attend the installation of a judge over in Arlington this morning.

He deeply regrets he could not be here at the opening but asked me to make this statement to the members—that he will be here as soon as those ceremonies there are over.

This subcommittee was appointed to consider S. 2575 and related House bills to establish a health benefits program for retired civilian employees of the Federal Government. S. 2575 was reported out of the Senate as report No. 1288.

The members of the subcommittee are Mr. Scott, Mr. Harmon, Mr. Alford, Mr. Gross, Mr. Broyhill, and Mr. Cunningham, and I was designated chairman.

(The bill, S. 2575, follows:)

[S. 2575, 86th Cong., 2d sess.]

AN ACT To provide a health benefits program for certain retired employees of the
Government

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Retired Federal Employees Health Benefits Act of 1960."

DEFINITIONS

SEC. 2. As used in this Act—

(a) The terms "employee", "member of family", "dependent husband", "health benefits plan", "carrier", "employee organization", and "Commission" have the same meanings as in the Federal Employees Health Benefits Act of 1959.

(b) "Retired employee" means an employee or member of a family who would be an annuitant under the Federal Employees Health Benefits Act of 1959 had he not become an annuitant prior to the effective date of that Act.

ESTABLISHMENT OF HEALTH BENEFITS PROGRAM

SEC. 3. The Commission is authorized and directed to establish a health benefits program for retired employees and members of their families who are not eligible for coverage under the Federal Employees Health Benefits Act of 1959. Such program shall permit retired employees enrolled, on the effective date of this Act, in any health benefits plan of a carrier approved under the Federal Employees Health Benefits Act of 1959, or of a carrier otherwise approved by the Commission, to continue such enrollment under the provisions of this Act. The Commission may withdraw from participation in the plan of any carrier when in its judgment the number of retired employees and members of their families enrolled in such plan is not large enough to warrant the administrative cost of continuance, but in any such case the retired employees and members of their families covered by such plan shall be given full opportunity for transfer to another approved plan.

ENROLLMENT

SEC. 4. The program authorized by this Act shall not be applicable to any retired employee or member of his family unless such retired employee elects, within ninety days after October 1, 1960, to be covered by such program, and consents to the deduction from his annuity or other benefit payments of such amounts as are prescribed pursuant to section 5 as his contributions to the cost of such program.

CONTRIBUTIONS

SEC. 5 (a) (1) Except as provided in paragraph (2), if a retired employee enrolls in an approved health benefits plan, the Government shall contribute toward his subscription charge such amounts as the Commission by regulation may from time to time prescribe. The amounts so prescribed shall not be less than the minimums or more than the maximum in the following schedule:

If retired employee is enrolled for—	Monthly minimum	Monthly maximum
Self only-----	\$2.70	\$3.80
Self and spouse-----	5.40	7.60
Self and spouse who is a nondependent husband-----	2.70	3.80
Self and family-----	6.50	9.20
Self and family which includes a nondependent husband---	3.80	5.40

(2) If the total monthly subscription charge is less than \$5.40 for a retired employee enrolled for self alone, \$10.80 for a retired employee enrolled for self and spouse, or \$13.00 for a retired employee enrolled for self and family, the contribution of the Government shall be 50 per centum of such subscription charge, except that if a female retired employee enrolls for self and a nondependent husband, the Government's contribution shall be 25 per centum of such subscription charge or if a female retired employee enrolls for self and family which includes a nondependent husband the Government's contribution shall be 30 per centum of such subscription charge.

(b) There shall be withheld from the annuity or compensation of each enrolled retired employee so much as is necessary, after deducting the contribution of the Government, to pay the total charge for his enrollment.

(c) The amounts authorized by subsection (a) to be contributed by the Government shall be paid from annual appropriations which are hereby authorized to be made for such purpose.

RETIRED EMPLOYEES' HEALTH BENEFITS FUND

SEC. 6. (a) The contributions of retired employees and the Government shall be deposited in the Retired Employees' Health Benefits Fund, hereinafter referred to as the "Fund", which is hereby created and which shall be administered by the Commission.

(b) The Fund shall be available without fiscal year limitations for all payments on account of health benefits plans and for payment of expenses incurred by the Commission in administering this Act, but not to exceed 2 per centum of the Government contribution.

(c) Any contributions remaining in the Fund after the payments described in subsection (b) have been made and any dividends or other refunds made by a carrier shall be set aside in the Fund as a contingency reserve for that carrier.

Such contingency reserve may be used to defray increases in future rates of or to reduce the retired employees' and the Government's contributions, or to increase the health benefits provided, as the Commission may from time to time determine.

(d) The Secretary of the Treasury is authorized to invest and reinvest any of the moneys in the Fund in interest-bearing obligations of the United States for the purposes of the Fund. The interest on and the proceeds from the sale of any such obligations shall become a part of the Fund.

ADMINISTRATION

SEC. 7. (a) The Commission shall administer this Act, negotiate contracts for the plans provided in section 3 without regard to section 3709 of the Revised Statutes, as amended (41 U.S.C. 5), and prescribe such regulations as are necessary to give full effect to the purposes of this Act. Such regulations may include, but are not limited to, the following:

- (1) Minimum standards to be met by a carrier;
- (2) Exclusions of retired employees from coverage;
- (3) Beginning and ending dates of coverage;
- (4) Temporary extension of coverage;
- (5) Changes in enrollment;
- (6) Questions of dependency;
- (7) Certificates and other information to be furnished retired employees;
- (8) Contributions during periods of suspension of annuity payments and in other extraordinary situations; and
- (9) Adjustment of contributions to nearest ten cents.

(b) The Commission may request carriers to furnish such reasonable reports as the Commission determines to be necessary to enable it to carry out its functions under this Act. The carriers shall furnish such reports when requested and permit the Commission and representatives of the General Accounting Office to examine such records of the carriers as may be necessary to carry out the purposes of this Act.

(c) Each agency of the United States or the District of Columbia which administers a retirement system for annuitants shall keep such records, make such certifications, and furnish the Commission with such information and reports as may be necessary to enable the Commission to carry out its functions under this Act.

(d) There are hereby authorized to be expended from Employees' Life Insurance Fund, without regard to limitations on expenditures from that Fund, for fiscal years 1960, 1961, and 1962, such sums as may be necessary to pay administrative expenses incurred by the Commission in carrying out the health benefits provisions of this Act. Reimbursements to the Employees' Life Insurance Fund for sums so expended, together with interest at a rate to be determined by the Secretary of the Treasury, shall be made from the Retired Employees' Health Benefits Fund which is hereby made available for this purpose.

SEC. 8. The Commission shall transmit to the Congress annually a report concerning the operation of this Act.

EFFECTIVE DATE

SEC. 9. The health benefits program provided for by section 3 of this Act shall take effect January 1, 1961. The contributions provided for by section 5 of this Act shall take effect on December 1, 1960, with respect to annuity or compensation accruing for periods beginning on and after that date.

Passed the Senate May 5, 1960.

Attest:

FELTON M. JOHNSTON, *Secretary*.

MR. DAVIS. S. 2575 provides for the establishment of a health benefits program for retired Federal employees who will not be eligible for enrollment under the Federal Employees Health Benefits Act established by Public Law 86-382, which becomes effective the first pay period beginning on or after July 1, 1960.

The proposed retirees health benefits program is patterned after, and is somewhat comparable to, the program which becomes avail-

able on July 1 to present employees and future retirees under Public Law 86-382.

The conditions of eligibility for enrollment are substantially the same—that is, the individual must have retired on an immediate annuity with 12 or more years of service or because of disability. Also, survivors of retired annuitants who would have been eligible in their own right as annuitants would be eligible for enrollment in the proposed new retirees health benefits program.

Government contributions are intended to approximate 50 percent of the premium cost, except that specific maximum contributions are stipulated for various classes of eligibles as is the case in the active employees program. Retirees already enrolled in a plan of any carrier which has been approved under the active employees' program, or a plan of a carrier otherwise approved by the Civil Service Commission, could continue such enrollment with the particular carrier.

The Civil Service Commission has estimated the cost of S. 2575 for the first year as between \$15 and \$22 million. Such cost will decrease in each following year as the number of retirees now on the rolls decreases.

The effective date of the proposed program under S. 2575 would be January 1, 1961.

There are a number of identical or similar House bills, as well as several recently introduced bills which are directed to the same purpose but contain different provisions intended to eliminate certain objections to the Senate-passed bill.

Our first witness will be our colleague on the committee, Representative John Lesinski, of Michigan, who is the author of H.R. 12495.

We will be glad to receive your testimony at this time, Mr. Lesinski.

STATEMENT OF HON. JOHN LESINSKI, OF MICHIGAN, A MEMBER OF THE COMMITTEE

Mr. LESINSKI. Thank you, Mr. Chairman.

Mr. Chairman, I deeply appreciate this opportunity to present my recommendations for a health benefits program for retired Federal employees.

At the outset, I invite the attention of the subcommittee to my bill, H.R. 12495, entitled, "A Bill to Provide a Health Benefits Program for Certain Retired Employees of the Government."

I am presenting this bill with the recommendation that it be approved, in lieu of S. 2575. My bill eliminates the chief objections of the administration to S. 2575 and, at the same time, will establish a valuable health benefits program for our retired civil service employees. I believe the bill also will have the wholehearted approval of the thousands of retirees who will be eligible. The first section of my bill provides a short title, the "Retired Federal Employees Health Benefits Act of 1960."

Section 2 incorporates by reference appropriate definitions contained in the Federal Employees Health Benefits Act approved last year for active employees and adds a suitable definition of the term "retired employee" which is needed for purposes of the bill.

Under the definitions, any employee who shall have retired before the effective date of the active employees' health benefits program (the

first pay period after July 1, 1960) will be eligible for coverage in the health benefits program established by my bill.

Section 3 directs the Civil Service Commission to establish a health benefits program for retirees and members of their families who are not eligible for benefits under the active employees' program.

The Commission will enter into a contract for a single, uniform, Government-wide health benefits plan for these retirees. The carrier must meet the qualification requirements fixed by the law which provides the active employees' program. This will assure that the carrier is a national organization capable of underwriting the plan. It also will gain the value of direct competition from various carriers while at the same time reducing costs of administration to a minimum. The Commission is required to make "the best possible bargain" for the retirees.

Section 4 fixes the Government contribution at not less than \$3 nor more than \$4 monthly for a retiree enrolled for self alone. The Government contribution for a retiree enrolled for self and family will be not less than \$6 nor more than \$8 monthly. The double contribution for families is based on the fact that most families of retirees will consist of two persons.

The Government also will contribute 2 percent of the above contributions to cover administrative expense, through annual appropriations.

The difference between the Government contribution and the premium charge will be borne by the retiree through a deduction from his annuity check.

Under section 6, a retiree is given the option of enrolling in the Commission-sponsored plan or retaining his existing approved plan if he has one. If he retains his existing plan, the Government will pay him (by an increase in his annuity check) the same amount it would have contributed toward the premium cost had he elected to enroll under the Commission-sponsored plan. The Government also will contribute 2 percent of any such payments to retirees who retain existing plans, to cover costs of administration.

Mr. Chairman and members of the subcommittee, I have every reason to believe that my bill offers a solution to the very complex and difficult problem of carrying out our obligation to help protect the health of the hundreds of thousands of men and women who devoted their productive working lives to our Government.

Both the total cost and the expense and difficulty of administration will be kept within very reasonable bounds. Although the Bureau of the Budget and the Civil Service Commission have taken the position that no Federal retirees health benefits program should be enacted at this time, it is my considered opinion that enactment of H.R. 12495 would give us our best assurance that such a program can become a reality through action in this session of the 86th Congress.

I would point out further, that my bill—in meeting one of the serious administration objections to the Senate-passed bill—will place the new program in effect July 1, 1961, in lieu of the January 1, 1961, effective date provided in the Senate bill.

I will be glad to answer any questions that the chairman or members may have.

Also the bill eliminates the objection of the administration, and that is that instead of having 38 benefits programs in effect it allows for only one good program with the option of the retiree to take that or continue on his present program.

Mr. DAVIS. We thank you for your statement, Mr. Lesinski.

Are there any questions by any of the members?

Mr. CUNNINGHAM. I want to compliment our colleague. He has a long history of interest and concern for our Federal employees as he has shown today in his testimony.

I appreciate his fine statement.

Mr. LESINSKI. Thank you, Mr. Cunningham.

Mr. DAVIS. Thank you very much.

Mr. LESINSKI. Thank you, Mr. Chairman. You are very gracious.

Mr. DAVIS. Thank you, sir.

Our next witness will be our colleague, Hon. John Baldwin, a Member of Congress from California.

It is a pleasure to have you with us, Mr. Baldwin.

STATEMENT OF HON. JOHN BALDWIN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Mr. BALDWIN. Thank you, Mr. Chairman.

I am one of those who have introduced in the House of Representatives bills on this subject. The bill I introduced was H.R. 9033. I am appearing this morning to testify in favor of H.R. 9033 and S. 2575 which is now pending before the committee.

I think, Mr. Chairman, that we have a very strong moral obligation to give similar consideration to the people who have retired prior to July 1, 1960, just as we are doing for those in the Federal service at the present time.

Actually the people who retired prior to July 1, 1960 have more serious problems than people who are still employed because they are already on fixed incomes. Those fixed incomes were set by rates of pay in days when the general pay scale was not as high, the general cost of living was not as high, and they are facing extremely serious problems, and many of them who are just barely able to get along if everything goes right with them, once they hit one serious health problem, I don't care whether it is an automobile accident or a cancer operation, or whatever it may be, they are lost financially, and any hope they may have of getting along satisfactorily during the remaining parts of their lives is ended.

It seems to me we owe them this consideration. I think they are entitled to it.

This bill is aimed at accomplishing that objective. I know personally of the great increase in cost in hospital programs because I served as attorney for two hospitals prior to coming to Congress. The costs of hospitalization have been going up at a rate at least five times as fast as the general cost of living as a whole. This particular aspect of expenditure is causing more worry to retired civil employees today than any other single thing.

I am very appreciative of the fact, Mr. Chairman, that your committee has scheduled this meeting. I hope you will vote out the bill

that you feel appropriate rapidly so that this House can act upon it before this session adjourns and that it can become law.

Mr. DAVIS. Thank you so much, Mr. Baldwin. We had set this meeting up for 10 a.m. prior to the time arrangements were made for the House to meet at 11 o'clock this morning. I doubt very much if we will have an opportunity to finish the list of witnesses. We will cover all we can, of course, and the subcommittee is interested in giving this legislation consideration and attention as rapidly as possible.

Thank you very much.

Our next witness will be our colleague on the committee, Representative Charles O. Porter.

STATEMENT OF REPRESENTATIVE CHARLES O. PORTER, OF OREGON, A MEMBER OF THE COMMITTEE

Mr. PORTER. H.R. 12495 provides for one Government-wide health benefits plan for retired employees—the carrier to be selected by the U.S. Civil Service Commission.

Those retired employees who elect to participate in the health benefits program and do not desire to carry the one Government-wide plan may, under terms of section 6a of the bill, select any carrier, providing any type of health benefits. The annuitant will then be paid by the Civil Service Commission the Government's contribution to the cost of his health benefits plan. The annuitant pays the Government contribution plus his own contribution directly to the carrier for his health benefits plan.

This provision of H.R. 12495 is particularly unsatisfactory.

1. The Federal Government has a responsibility to its annuitants to pass on the acceptability of carriers receiving funds from the Government and its annuitants.

2. Since Federal funds are involved the Federal Government should have the responsibility of determining that the cost of health coverage contracted for by the annuitant bears some relationship to the benefits offered.

3. There is not even a requirement that the health carrier be licensed under the laws of any State, district, or territory. Health carriers for example in Panama, Tangier, or elsewhere could qualify for Federal funds.

4. With the annuitant given complete freedom under section 6a to select any carrier or health plan it is likely that he would be forced to purchase individual coverage rather than group coverage. An individual coverage plan, as opposed to a group coverage plan, usually is higher priced. Group coverage offers savings in billing, reduction in delinquent payments and administrative costs.

5. No automatic payment procedure is established. If the retired employee—and we are dealing with persons who are 62 years of age and over—fails to make a payment his health coverage would lapse or be canceled.

The importance of an automatic deduction from the annuitant's monthly check to pay for the annuitant's share of health insurance premiums cannot be overemphasized. All annuitants who would be covered under the terms of H.R. 12495 are receiving regulation monthly annuity checks from the Civil Service Commission, and automatic

payment by the Commission directly to the carrier could easily be arranged.

One of the great advantages of the Federal Employees Health Benefits Act of 1959 is the provision for automatic withholding and automatic payment of premiums directly to the carrier.

6. Literally hundreds of carriers could be selected by annuitants to participate under section 6a of H.R. 12495. The requirement contained in the bill for the submission of certificates to show that the annuitant is in fact enrolled presents considerable administrative problems, particularly to the Civil Service Commission.

Also objectionable in H.R. 12495 is the postponement of the starting date of health coverage to July 1, 1961. This postponement cannot be done for administrative reasons. If legislation in this field is adopted, the Commission would have almost a complete year to initiate the program. The Federal Employees Health Benefits Act of 1959 was signed into law September 28, 1959, and the Commission had 9 months to initiate a program for several million active Federal employees and their dependents. One cannot conceive that a health benefits program for retired employees, who number less than 350,000, would take longer to initiate than the program for active employees when the groundwork has already been laid by the 1959 law.

H.R. 12495 would open the door to expensive, inadequate health benefits for the aged, and would allow all types of carriers—good, bad, and indifferent—to qualify for the receipt of Federal funds.

Thank you, Mr. Chairman.

Mr. DAVIS. The next witness is Hon. Roger W. Jones, Chairman, U.S. Civil Service Commission. He will be accompanied by Mr. Warren B. Irons, Executive Director; Mr. Andrew J. Ruddock, Director of the Bureau of Retirement and Insurance; and Mrs. Mary V. Wenzel, Executive Assistant to the Commissioners.

We are glad to have you, gentlemen and Mrs. Wenzel.

STATEMENT OF HON. ROGER W. JONES, CHAIRMAN, CIVIL SERVICE COMMISSION; ACCOMPANIED BY WARREN B. IRONS, EXECUTIVE DIRECTOR; ANDREW J. RUDDOCK, BUREAU OF RETIREMENT AND INSURANCE; AND MRS. MARY V. WENZEL, EXECUTIVE ASSISTANT TO THE COMMISSIONERS

Mr. JONES. Thank you, Mr. Chairman.

Mr. DAVIS. You may proceed as you wish.

Mr. JONES. The introductory statement which the chairman has made sets the stage for what I have to say with respect to this legislation.

I have no formal testimony this morning, Mr. Chairman. I felt that was unnecessary in the light of the reports which are already before the committee.

On May 26, 1960, the Civil Service Commission forwarded to the committee its report on S. 2575 in the form in which that bill appeared before the Senate.

Since that time there has been introduced the legislation of the type referred to by Mr. Lesinski this morning, chiefly typified by H.R. 12495, on which the committee also asked for reports, as it did on a companion bill, H.R. 12506, introduced by Mr. Broyhill.

I think it would be worth while for just a moment, sir, to point out the differences between the two pieces of legislation and to indicate in closing our attitude toward the new bills.

S. 2575 directs the Commission to contract with all of the carriers approved under the Federal Employees Health Benefits Act, and such additional carriers as may be approved by the Commission, for continuation of coverage for retired employees enrolled on the effective date of the act with those carriers.

The Commission is authorized to terminate a contract if too few retired employees are enrolled but retired employees covered under a terminated plan are to be allowed to transfer to another approved plan.

H.R. 12495 directs the Commission to contract for a single plan as contrasted with many plans. This single plan would be for the retired employees.

Retired employees who prefer it and could obtain and continue another plan would be entitled to a Government contribution toward the cost of the plan.

The Commission, however, would not contract with the carriers of these plans nor would it approve the benefits offered.

The second major difference has to do with the situation on contributions. S. 2575 provides maximum and minimum Government contributions for five classes of employee enrollments. The minimums range from \$2.70 to \$6.50 a month. The maximums range from \$3.80 to \$9.20 a month. These rates are for self only, self and spouse, self and family, and the latter two are further subdivided as to whether the spouse is a nondependent husband.

H.R. 12495 provides two levels of Government contributions—self only from \$3 to \$4, and self and family at exactly twice the self-only rates.

The third major difference is that under S. 2575 the program would begin on January 1, 1961; under H.R. 12495 the program would begin on July 1, 1961.

The fourth difference involves the fact that S. 2575 would provide only for group enrollments whereas H.R. 12495 would permit Government contribution to individual policies or contracts.

I had thought it might help the record, Mr. Chairman, if we could put into the record, with the permission of the subcommittee, a columnar comparison of the provisions of the two pieces of legislation before you, and with the Chair's permission I will give that to the reporter for insertion at this point.

Mr. DAVIS. Without objection that will be inserted at this point.

(The information referred to follows:)

Columnar comparison of H.R. 12495 and S. 2575

Section No. ¹	H.R. 12495	S. 2575
1 (short title)-----	"Retired Federal Employees Health Benefits Act."	"Retired Federal Employees Health Benefits Act of 1960."
2 (definitions)-----	Same except omits definition of "dependent husband" and "employee organization"; redefines "health benefits plan" and "carrier" so as to include individual policies; and incorporates FEHBA definition of "Government."	Uses FEHBA definitions of "employee," "member of family," "dependent husband," "health benefits plan," "carrier," "employee organization," and "Commission"; defines "retired employee."
3 (establishment of contracts for plans).	Directs Commission to contract for a single plan for which all retired employees would be eligible.	Directs Commission to contract with all approved plans under FEHBA of 1959, and any additional plans approved by Commission, in which retired employees are enrolled on effective date of act, for continuation of the enrollment of these retired employees.
4(a)-----	Establishes Government contribution, to be fixed by Commission at from \$3 to \$4 individual; twice that for family.	Establishes maximum and minimum Government contributions to be fixed by the Commission for each of 5 classes of enrollment: self only, self and spouse, and self and family, with latter 2 further divided as to existence of nondependent husband.
4(b), 5-----	Provides for Government contribution for administrative expense; provides withholding of balance necessary to pay retired employee's share of plan contracted for by Commission.	No similar provision. Secs. 4 and 5(b) provides withholding of balance necessary to pay retired employee's share of plans contracted for by Commission.
6-----	Provides Government contribution to retired employee having a health benefits plan other than that contracted for by the Commission, and for Government contribution for administrative expense.	No similar provision.
7-----	Requires election of retired employees to enroll in plan contracted for by Commission; take another plan, or not participate, and requires carrier certificate if he elects plan other than that contracted for by Commission.	Sec. 4 requires election of retired employee to enroll, or not, in Government program.
8-----	Establishes retired employees health benefits fund, makes it available for purposes of act, establishes contingency reserve for carrier, and authorizes investment.	Sec. 6 same, except multiple contingency reserve.
9-----	Provides for administration of act, authorizes Commission to issue regulations, requires agencies administering retirement systems to cooperate, and authorizes borrowing from ELIF to begin program.	Sec. 7 same, but lacks authority to regulate conditions of eligibility and has authority to adjust contributions to nearest 10 cents.
10-----	Authorizes appropriations-----	Sec. 8(c) authorizes appropriations.
11-----	Requires annual report-----	Sec. 8 requires annual report.
12-----	Makes program effective July 1, 1961.	Sec. 9 makes program effective Jan. 1, 1961.

¹ Section numbers are those of H.R. 12495. Where the number of the similar section of S. 2575 is different it is stated in the column.

Mr. JONES. Coming back to H.R. 12495, the committee's request on this was received just a few days ago, and the report was not actually cleared through the Bureau of the Budget and sent forward until yesterday.

The report is before the members of the subcommittee, and I do not think it will be necessary to read it. It involves a short sectional analysis of the bill which does not materially differ from the analysis already given by the Chair and by the sponsor, Mr. Lesinski.

Mr. DAVIS. Would you like to insert that in the record, also?

Mr. JONES. I would ask permission to insert the entire report in the record at this point.

Mr. DAVIS. Without objection, that will be done, to be followed by the report of the Bureau of the Budget.

(The information referred to follows:)

U.S. CIVIL SERVICE COMMISSION,
Washington, D.C., June 16, 1960.

HON. TOM MURRAY,
Chairman, Committee on Post Office and Civil Service,
House of Representatives.

DEAR MR. MURRAY: This letter is in reply to your letters dated June 6, 1960, requesting reports on identical bills H.R. 12495 and H.R. 12506, to provide a health benefits program for certain retired employees.

The current fiscal position of the Federal Government is such that the administration finds it necessary to oppose enactment of either bill at this time. The Commission points out that enactment now would be contrary to an approved policy of opposing new programs, at least until fiscal conditions improve.

However, in view of the recent enactment of a health benefits program for active employees, the Commission appreciates your committee's desire to consider the feasibility of a similar program for retirees, and since you have called upon the Commission for its views, we are glad to give them.

Following is our sectional analysis of the bills:

Section 1. Short title

Provides a short title: "Retired Federal Employees Health Benefits Act."

Section 2. Definitions

Incorporates by reference applicable definitions contained in the Federal Employees Health Benefits Act of 1959 and adds definition of "retired employee." An employee who retires before the first day of the first pay period which falls on or after July 1, 1960, or who is entitled to compensation under the Federal Employees' Compensation Act because of an injury sustained or illness contracted before the first day of the first pay period which falls on or after July 1, 1960, is not entitled to enroll for health benefits under the Federal Employees Health Benefits Act of 1959. Thus the definition in this section would provide coverage under this act for those annuitants and compensationers who would have been covered by the 1959 act had they not retired or sustained an illness or injury before the date on which the 1959 act became generally effective. Survivor annuitants are similarly treated.

The definitions of "health benefits plan" and "carrier" follow the definitions in the Federal Employees Health Benefits Act of 1959, except that they do not limit application of the act to group plans and carriers. This presumably is to provide for those employees who have or wish to obtain individual policies or contracts for health benefits as provided in section 6.

Section 3. Governmentwide plan

Authorizes and directs the Civil Service Commission to establish a health benefits program for retirees and members of their families not eligible for benefits under the program established by the Federal Employees Health Benefits Act of 1959 for current employees and future retirees.

The Commission is authorized to enter into a contract for a single uniform governmentwide health benefits plan for retired employees. The governmentwide plan is required to have one level of benefits and must be of the service benefit (Blue Cross-Blue Shield) or indemnity benefit (commercial insurance company) type. The benefits to be provided by the contract are left to the discretion of the Commission except that no one may be excluded because of race, sex, health status, or age, and the contract may not deny or limit benefits because of any preexisting condition. The rates for the contract are to be determined in the first instance on a reasonable and equitable basis and adjusted for future terms on the basis of experience. Any accumulation due to favorable experience must be retained for the benefit of the retired employees enrolled in this plan.

Section 4. Contributions

Provides for contributions by the Government to the cost of enrollment in the governmentwide plan.

Subsection (a) provides a contribution to be fixed by the Commission within limits of not less than \$3 monthly nor more than \$4 monthly for a retired employee enrolled for himself only. The amount of Government contribution for a retired employee enrolled for himself and family is twice the contribution for one enrolled for self only.

Subsection (b) provides for an additional Government contribution of 2 percent of the contributions authorized by subsection (a) for payment of expenses incurred by the Commission in administering the act.

Section 5. Withholding

Requires withholding from the annuity or compensation of each retired employee enrolled in the governmentwide plan so much as is necessary, after deducting the Government contribution, to pay for his enrollment.

Section 6. Other health benefit plans

Provides for Government contribution to those retired employees who do not enroll in the governmentwide plan but instead retain or purchase other health insurance. The Government contribution will be the same as that fixed for retired employees who enroll in the governmentwide plan, except that it may not exceed the cost of the plan which the retired employee retains or purchases.

Subsection (b) provides for an additional Government contribution of 2 percent of the contributions authorized by subsection (a), for payment of expenses incurred by the Commission in administering the act.

Section 7. Elections

Requires each retired employee within such time after March 1, 1961, as the Commission prescribes, to notify the Commission of his election to enroll in the governmentwide plan, to enroll in another health benefits plan, or not to enroll under this act. It further provides that an employee who wishes to enroll under another health benefits plan must furnish a certificate from the carrier certifying the fact of coverage and the cost of the health benefits plan in which he is enrolled. If the employee is enrolled in a plan which provides other benefits in addition to health benefits, the carrier must certify the cost of the health benefits portion of the plan.

Section 8. Retired employees health benefits fund

Subsection (a) creates a retired employees health benefits fund to be administered by the Civil Service Commission in which retired employee and Government contributions are to be deposited.

Subsection (b) provides that the fund shall be available without fiscal year limitation for all payments to the carrier of the governmentwide plan, for payment of the Government's contribution for retired employees who enroll or retain enrollment in plans other than the governmentwide plan, and for administrative expenses incurred by the Commission. These expenses are limited to not more than 2 percent of the amount of the Government's contribution to the subscription charges.

Subsection (c) provides that any dividends or refunds, or other moneys in the fund, may be used to defray increases in future rates, reduce contributions, or increase benefits, as the Commission may determine.

Subsection (d) provides for investment of the fund.

Section 9. Administration

This section provides for administration of the act by the Commission. The Commission is authorized to provide for exclusions from coverage, and for other matters necessary to the administration of this program. It also authorizes the Commission to use money from the Federal employees life insurance fund, to be repaid from the retired employees health benefits fund, for the initial expenses of administration.

Section 10. Appropriations

Authorizes annual appropriations to pay the Government contributions authorized by the act.

Section 11. Annual report

Stipulates that the Commission shall report to the Congress annually concerning the operation of the act.

Section 12. Effective date

Provides that the health benefits program under the act shall take effect July 1, 1961.

We estimate the cost to the Government if either bill is enacted to be in the magnitude of \$15 to \$25 million for the first year. The exact cost would, of course, depend on how many of the more than 415,000 eligible annuitants and survivor annuitants enroll in a plan and, further, upon the distribution of self-only and family enrollments.

For the reasons stated at the beginning of this report, the Commission does not recommend enactment at this time of any legislation to provide health benefits for retired employees. In the event the committee decides to give further consideration to the bills despite this position, you may wish to consider the attached comments and suggestions of the Commission staff which would facilitate administration of the legislation if enacted.

The Bureau of the Budget states that there is no objection to the submission of this report to your committee.

By direction of the Commission:

Sincerely yours,

ROGER W. JONES, *Chairman.*

SUGGESTIONS FOR PERFECTING AND MINOR SUBSTANTIVE CHANGES IN H.R. 12495 AND H.R. 12506

1. On page 2, line 3, insert "for a stated periodic premium or subscription charge" after the word "carrier"; on line 6, insert "remedial care," between the comma after "medicines" and "or."

The first insertion would preclude Government contributions to membership in any organization operated as a "sunshine club" on an assessment basis. The second insertion would broaden the definition of a health benefits plan so as not to arbitrarily exclude certain of the healing arts which are not of a medical or surgical nature (e.g., Christian Science practice) and which a number of health benefit plans now cover.

2. On page 2, between lines 17 and 18, insert "Governmentwide Plan" or a heading of similar import.

3. Strike the last sentence of section 3(a) beginning on line 25, page 2, and lieu thereof insert the following: "The carrier shall, if the Commission so directs, cede reinsurance to such other companies as may elect to participate or shall allocate its rights and obligations under the contract among such of its affiliates as may elect to participate, in accordance with an equitable formula to be determined by the carrier and approved by the Commission. The contracting carrier, if an insurance company, shall be licensed to issue group health insurance in all the states of the United States and the District of Columbia and shall, in the most recent year for which data are available, have made at least one percent of all group health insurance benefit payments in the United States."

The last sentence presently in section 3(a) is susceptible of being construed as requiring the governmentwide plan to offer the same benefits as the governmentwide plans under the Federal Employees Health Benefits Act of 1959. The proposed added language would require the carrier of the governmentwide plan to be one of the larger insurance companies or the Blue-Cross Shield organizations and would permit the commission to direct the carrier selected to share the risk and any profits with other qualified carriers.

4. On page 4, line 5, and on page 5, line 6, strike "another" and in lieu thereof insert in both places "an amount, as prescribed by the Commission, up to".

This change would permit the contribution for the Commission's administrative expense to be less than 2 percent of the Government's contribution for subscription charges if the full 2 percent were not required.

5. On page 4, line 12, after "enrolled," insert "in the health benefits plan provided for."

6. On page 4, line 24, after "cost," insert "to him."

Conceivably, a retired employee may be enrolled in a plan the cost of which he has no legal obligation to pay, in which case the Government should not contribute.

7. On page 5, line 1, insert "is" between "he" and "enrolled."

8. On page 5, line 3, insert "cost to him of the" between "the" and "premium" for the same reason as in change 6, above.

9. On page 5, line 5, insert the following new sentence after the period: "A retired employee may not receive a Government contribution for more than one plan, nor may a retired employee receive a Government contribution if he is covered under the enrollment of another retired employee who is receiving a Government contribution."

10. On page 5, line 18, strike the "s" in the word "programs."

11. On page 5, line 22, insert "to him" after the word "cost."

12. On page 6, line 10, after "payment" insert "of the Government's contribution provided for by section 6(a) of this Act."

13. On page 6, strike the text beginning with the word "Any" on line 17 and ending with the word "and" on line 20; capitalize "a" in "any" and on the same line after the word "carrier," insert "under section 3 of this Act." On line 22, strike the word "carrier" and in lieu thereof insert "Government-wide plan."

The text suggested for deletion is superfluous since all contributions referred to will be paid to carriers and none will remain in the fund.

14. page 7, line 1, insert "to" after "contributions," and on line 2 insert "by that plan" between "provided" and the comma.

15. On page 7, line 17, strike "the " and in lieu thereof insert "all" on the same line and on lines 20 and 22, add an "s" to the word "carrier."

16. On page 8, line 17, strike "and"; on line 20, strike the period and in lieu thereof insert "and"; and add a new paragraph as follows: "(10) Under what conditions and to what extent the cost of a plan shall be considered a cost attributable to the retired employee."

The addition will permit the Commission to determine whether and to what extent the Government should contribute to the cost of coverage of a retired employee in certain questionable cases, as for example where a retiree is covered under the family enrollment of his wife who is not a retired employee.

EXECUTIVE OFFICE OF THE PRESIDENT,

BUREAU OF THE BUDGET,

Washington, D.C., June 16, 1960.

Hon. TOM MURRAY,

Chairman, Committee on Post Office and Civil Service,
House of Representatives, Washington, D.C.

MY DEAR MR. CHAIRMAN: Reference is made to your requests of June 6, 1960, for the views of the Bureau of the Budget respecting H.R. 12495 and H.R. 12506, identical bills to provide a health benefits program for certain retired employees of the Government.

The subject bills are substantially similar in purpose to S. 2575, now pending before your committee. On May 27, 1960, this Bureau submitted an adverse report on the Senate measure, stating that the provision of health insurance benefits for "prior" pensioners and employer contribution toward such benefits is far from a common practice in private enterprise.

Accordingly, for the reasons stated in the previous report, the Bureau of the Budget would strongly object to enactment of the subject bills.

Sincerely yours,

PHILLIP S. HUGHES,

Assistant Director for Legislative Reference.

Mr. JONES. As we indicated in the earlier report on S. 2575, the administration finds it necessary to oppose enactment of this legislation at this time largely on fiscal grounds. The current fiscal position of the Government is such that the administration is opposing all new programs, at least until fiscal conditions improve.

Mr. DAVIS. Does your report give the cost?

Mr. JONES. Yes, I am coming to that in just a moment, sir.

However, we recognize that the recent enactment of the program for active employees which carries over to their retirement makes it necessary to give additional information to the committee in order

that they may give consideration to the measures before them, and in spite of that opposition there are additional things I would like to say.

We estimate the cost of either bill, if enacted, would be in the magnitude of somewhere between \$15 million to \$25 million for the first year. Regretfully, we cannot be too precise about this at the present time because of the fact there are some 415,000 eligible annuitants and survivor annuitants on the rolls of the Civil Service Commission, and the cost would, in fact, depend upon how many of these enrolled in a plan, and further upon the distribution of those enrolling for themselves only and those having family enrollments. We do not have information without canvass as to the family status of most of our annuitants.

If the committee does go on to give consideration to the alternative forms of legislation, and particularly to the new bill introduced by Mr. Lesinski and Mr. Broyhill, it might be helpful if I inserted in the record certain comments on features of the bill which represent staff comments prepared in the Civil Service Commission by our expert staff.

Mr. DAVIS. Without objection that will be inserted.

(The information referred to follows:)

COMMENTS ON FEATURES OF H.R. 12495 AND H.R. 12506

Section 3 of the bills provides for one governmentwide plan. From an administrative point of view this is much to be preferred to a multiplicity of plans such as we have under the Federal Employees Health Benefits Act of 1959. Our experience thus far in implementing the 1959 act clearly indicates that contracting with a multiplicity of carriers creates serious administrative problems, causes confusion in the minds of enrollees, and vastly increases printing and other costs. From a substantive point of view, dividing this closed group of retired employees into many smaller plans, each consisting of a closed enrollment, might tend to diminish the benefits which could otherwise be secured for an appreciably larger single group enrolled in one plan. With a multiplicity of plans, each carrier would justifiably expect to attract the poorest risks and accordingly reduce the benefits available for the premium dollar. Additionally, administrative expenses for a small group are proportionately greater than for a large group, thus further reducing the benefits available for the premium dollar.

Section 4 of the bills provides a two-rate contribution structure; one contribution rate for a retired employee who enrolls for self only and twice that rate for a retired employee who enrolls for self and family. Experience shows that such a two-rate structure is not only simpler to administer, but is also equitable because in most instances the families of retired employees will consist of only two persons eligible for coverage—the annuitant and spouse. In those instances where there are more than two eligible family members, the families will generally be younger with correspondingly lower utilization of health services.

Sections 4 and 6 of the bills provide for a 2 percent administrative expense fund for the Commission. It should be noted that the 2 percent is a percentage of the Government's contribution only and is not based on any part of the retired employee's contribution. On a percentage basis, this makes the 2 percent figure approximately equivalent to the 1 percent of Government contributions and employee withholdings being set aside for the Commission's administrative expense under the Federal Employees Health Benefits Act of 1959.

Section 6 would permit retired employees to retain coverage they now have—or permit them to enroll—in any health benefits plan of their choice. This is a feature which accomplishes several purposes and which, if the legislation is enacted, the Commission regards as highly desirable. It permits a free choice from among all the various types of health benefits plans available without the administrative difficulties and cost inherent in having a multiplicity of Commission-approved plans. It permits retired employees living in low-medical-

cost areas to enroll or retain enrollment in a local plan, the subscription charge of which reflects the low medical cost prevailing in the particular area. Further, it creates a minimum of interference with the competitive offerings of all carriers which wish to cover individuals in the age groups represented by retired employees.

Finally, both bills would make benefits under the program effective July 1, 1961. The Commission believes this is the earliest possible date by which this proposed legislation, if enacted, could be implemented. We have taxed our staff to the utmost in implementing the Federal Employees Health Benefits Act of 1959 and, because of the complexity of that act, expect that we will have to continue using all available manpower in administering it for some time after July 1, 1960, when it becomes effective.

Mr. JONES. I will summarize that.

Section 3 of both bills, H.R. 12495 and H.R. 12506, provides for one governmentwide plan. From an administrative point of view this is much to be preferred to a multiplicity of plans such as we now have under the program for the active employees under the Federal Employees Health Benefits Act of 1959.

Our experience thus far in implementing the 1959 act clearly indicates that contracting with a multiplicity of carriers creates serious administrative problems, causes confusion in the minds of the enrollees, and vastly increase printing and other costs.

From a substantive point of view dividing this closed group of retired employees into many smaller plans, each consisting of a closed enrollment, might tend to diminish the benefits which could otherwise be secured for an appreciable larger single group enrolled in one plan.

With a multiplicity of plans each carrier would justifiably expect to attract—

Mr. DAVIS. Let me ask you a question right there, Mr. Jones.

How many plans are involved in these two bills?

Mr. JONES. In S. 2575 there would be involved all of the plans under the program for the active employees, now numbering 38.

Under Mr. Lesinski's bill this would be cut down to one governmentwide plan.

Mr. DAVIS. Does the program for the retirees, because of the smaller number in the group, involve more difficulties than the program for active employees?

Mr. JONES. Yes, sir, it does, of three kinds, largely administrative. In the first place, with 415,000 people scattered all over the face of the globe literally, they are not all in the United States, we would have to conduct negotiations with them by mail. We cannot do it through the Government offices as we do the active employees.

In the second place, the administrative expense of handling small groups, if there were a multiplicity of groups of these retired employees out of a 415,000 universe as opposed to a universe of 2 million on the bigger plan, increases the cost. The smaller the group the higher proportionate administrative cost that you get in handling it.

In the third place, I think we could expect that each carrier would have to make his plans on the basis of attracting the poorest risks, and accordingly would have to reduce the benefits available for the premium dollar. In other words, the larger the group the better plan I think we can get.

Mr. DAVIS. And the fact that you already have arrangements made to carry out your dealings with these 38 groups insofar as active em-

ployees are concerned would not enable you to merely add on this extra work as concerns the retirees and make it part of your machinery which is already set up?

Mr. JONES. It could be ground into the machinery in very substantial part, Mr. Chairman, but there would be difficulties to this extent—presumably we would have to have some kind of device whereby the contribution in cases of people who joined the plan would be deducted from a retirement check or something of the sort. I do not think we could depend on 415,000 people if they all came in to send in a check each month.

This, however, would have to be further broken down by each of the plans involved which would impose a substantially heavier workload on the Treasury than they would have under the kind of program we now have.

Over and above that, there would be the fact that you would have no automatic way of knowing when the status of the individual changed. The way in which we find out about the status of these retired people in the event of death is when a check comes back, unless somebody writes in and says that the individual has died. This would create some additional problems.

Mr. DAVIS. How many additional employees do you think would be required if this Senate bill should become law?

Mr. JONES. I do not believe I can estimate that at the present time, Mr. Chairman. I am not sure whether Mr. Ruddock could or not.

We would have to reach into thin air on it.

Mr. RUDDOCK. I cannot do that with any preciseness at all, Mr. Chairman. We use approximately 30 people in doing the planning for the 1959 Health Benefits Act, that is in the Civil Service Commission.

Of course, with the active employees we have the tremendous advantage of having personnel offices in every agency of the Government who are also actively working on this.

Where we would be dealing with annuitants, and entirely by mail, we would have no help at all from any of the personnel offices throughout the Government.

Mr. DAVIS. Do the 30 employees you just mentioned constitute all of the new employees resulting from this health insurance benefits program?

Mr. RUDDOCK. At the present time, sir, that is true.

Mr. JONES. Within the Civil Service Commission.

Mr. DAVIS. Would you think that this Senate bill would call for the employment of as many, fewer, or more? Can you go that far in making an estimate as to the number of new employees?

Mr. RUDDOCK. I would say just as many, sir, because under the Senate bill, S. 2575, there would be the necessity of working out a contract for each plan, and that bill would authorize the 38 carriers presently approved, plus any others that the Commission might want to approve. It does not limit it to the 38. You would have the job of working out a contract. It would be necessary to write a brochure describing the benefits available in each of the plans.

We would have to write literature of some kind to enable the retiree to make an informed choice of which of the plans available to him would best serve his needs.

Mr. DAVIS. Would you have to follow substantially the same procedure that you have already followed in setting up the employees' program?

Mr. RUDDOCK. Yes, sir.

Mr. JONES. An additional factor, too—now the individuals enroll in their agencies. The agencies check the enrollment forms and generally do the clerical work.

We would have to do all of this centrally.

Mr. RUDDOCK. That is right.

Mr. JONES. Because the agencies have lost all track of these people, they become our problem once they retire. They do not even have their names with the agency any more.

Mr. DAVIS. Can you tell us how many new employees would be required if the Lesinski bill were enacted into law?

Mr. RUDDOCK. This is a rough estimate, but I would say somewhere in the neighborhood of 25 to 50 percent as many people.

Mr. DAVIS. Thank you.

Mr. JONES. Section 4 of the bill provides for a two-rate contribution structure. One contribution rate is for a retired employee who enrolls for himself only, and twice that rate for a retired employee who enrolls for himself and his family.

Experience has demonstrated that such a two-rate structure is not only simpler to administer but it is also equitable because in most instances the families of retired employees would consist of only two persons eligible for coverage—the annuitant and his wife or husband.

In those instances where there are more than two eligible family members, the families generally would be younger with correspondingly lower utilization of health services.

Sections 4 and 6 of the Lesinski bill provide for a 2-percent administrative expense fund for the Commission. It should be noted that the 2 percent is a percentage of the Government's contribution only and is not based on any part of the retired employee's contribution.

On a percentage basis this makes the 2-percent figure approximately equivalent to 1 percent of Government contributions and employee withholdings being set aside for the Commission's administrative expense under the Federal Employees Health Benefits Act of 1959.

I am not prepared to say at the moment whether that would be inadequate or adequate because we would just have to work our way into this to find out what the administrative expense would be.

Section 6 would permit retired employees to retain coverage they now have, and this is very important, or permit them to enroll in any health benefits plan of their choice. This is a feature which accomplishes several purposes and which if the legislation is enacted the Commission regards as highly desirable.

It permits a free choice from among all of the various types of health benefit plans available without the administrative difficulties and cost inherent in having a multiplicity of Commission-approved plans. It permits retired employees living in low medical cost areas to enroll or retain enrollment in a local plan. The subscription charge of this reflects the low medical cost prevailing in that particular area.

Further it creates a minimum of interference with the competitive offerings of all carriers which wish to cover individuals in the age groups represented by retired employees.

Finally, the new bills, the substitute bills, would make benefits under the program effective July 1, 1961, as contrasted with January 1, 1961, under the Senate bill.

The Commission believes that this is the earliest—I started to say possible, certainly the earliest practicable—date by which the proposed legislation if enacted could be implemented.

We have taxed our staff to the utmost in implementing the Federal Employees Health Benefits Act of 1959 and we have no illusions at all that we are completely out of the woods yet. There will be a number of very complex decisions and actions that will have to be taken that will require the full participation of our very able Bureau Chief, Mr. Ruddock, and his Deputy, Mr. Lawton, and their top staff members, and there are limits as to how much more we can load on them.

Over and above that, the more we study this the more we become concerned about the rather monumental job of taking on personal correspondence with 415,000-plus respondents, and all 415,000 would be involved in the initial stages.

From my own sampling of the kind of correspondence we have with retired people this is an arduous job. They are older, they have fears, worries, little problems which loom much larger than they did at an earlier stage in life, and with no disparagement intended toward them at all, it is a costly kind of correspondence to carry on. They do not understand the answers they get. They come back at you the second and third times, and we would have to see to it that we leaned over backward to make sure that they understood the legislation, that they were fully cognizant of what they were doing, and that we were giving them the maximum help possible.

I believe it could come down to almost individual counseling for a very substantial number of older people.

Where you could have the help of such a group as NARCE, for example, where they have their own plan and could advise their own members, that would be useful. However, we would not have the full resources of the agency and health benefits representatives, we would not have the full resources of all the employees' organizations, and so on, to help us out. It would be primarily a Commission job.

Whereas last year we were a little casual about estimating the size of the problem, we have learned from the experience of implementing the other act that the problems are considerable. They are very personal problems. They bother people.

I had a telephone call the other night at home at a quarter of 12 from somebody who wanted to talk to me about what he should do under this new bill. He thought it would be helpful to talk to the Chairman of the Commission.

I was glad to talk to him but I think we compound this kind of thing in correspondence with the retired folks.

Mr. GROSS. Off the record.

(Discussion held off the record.)

Mr. JONES. The final point that I would make to you is this: That there are some minor language changes of a rather highly technical kind, largely word changes, which our experts—and I am not on this score—tell me that the committee certainly should consider if they move forward with further consideration of the legislation. Therefore, I would like to have your permission to leave with the committee staff a series of detailed word changes, technical changes, and to

offer the cooperation of our technical people to work with the committee staff as to the reasons for these word changes and how they could best be accomplished.

We have written them out. I do not think they need go into the record, but I would like to turn them over to Mr. Johnson or whom-ever the committee suggests.

Mr. DAVIS. Without objection, that permission is granted.

Mr. JONES. That concludes my testimony. I will try to answer any questions. If I cannot, I am sure Mr. Irons or Mr. Ruddock can.

Mr. DAVIS. Can you tell us if there is any difference in cost of the two bills, the Senate bill and the Lesinski bill?

Mr. JONES. Again, this is just reaching for it, Mr. Chairman, but there may be some slight difference in cost, but I do not think that they would be appreciable. Of course, we cannot tell until we see how many people come in. That is why we cannot give you a range. We think we were pretty safe on the estimate we could make on participation of active employees but when it comes to retired folks, I haven't any way of estimating whether 20 or 90 percent of them will join up.

Mr. DAVIS. Are there any questions by any member?

Mr. JONES. May I add one other thing, Mr. Chairman?

Mr. DAVIS. Yes.

Mr. JONES. In furtherance of what Representative Baldwin pointed out, there are a very large number of these people who are on quite small annuities. They have been retired some time. They are well up in years. They were retired at a time when the average salary was very much lower than it is today and I am not prepared to say whether they would feel they could carry the cost of this kind of insurance. There are many old folks who are pretty tight to the line and would feel they would have to gamble on the condition of their health.

Mr. DAVIS. Mr. Gross?

Mr. GROSS. Unfortunately, I could not get here until very late. Is there a multiplicity of plans proposed in this case?

Mr. JONES. In the Senate bill there is. In the amended or substitute bill, the new bill, let's call it, introduced by Mr. Lesinski, only one plan, sir.

Mr. DAVIS. Thank you so much, Mr. Jones.

We appreciate your presence and those of your associates here.

The next witness is Mr. Frank Wilson, president of the National Association of Retired Civil Employees.

Mr. Wilson, as you know, we have to go to the House floor at 11 o'clock. Would you prefer to go as far as you can with your statement and insert the balance, or would you prefer to come back next week? I am trying to set up a meeting Monday. I have not quite made the arrangements yet.

STATEMENT OF FRANK WILSON, PRESIDENT, NATIONAL ASSOCIATION OF RETIRED CIVIL EMPLOYEES

Mr. WILSON. Thank you, Mr. Chairman.

Mr. Chairman and members of the Post Office and Civil Service Committee, my name is Frank J. Wilson. I am president of the National Association of Retired Civil Employees. I am accompanied

by John J. Madigan, secretary, and John A. Overholt, legislative representative. Our association is in its 40th year and has more than 100,000 members. We have 750 chapters in the 50 States, and 26 State federations.

Our association is wholeheartedly in favor of the purposes of S. 2575 and 76 companion bills in the House of Representatives, to provide a health benefits program for certain retired employees of the Government and surviving annuitants, and we are most grateful for the enthusiastic support given to this program in both the Senate and the House of Representatives.

Only a few who oppose this program say that no one promised the retired people a health benefit program when they retired, and so it is not necessary to give them such a program now. There are many more who take a different viewpoint. When we retired, no one promised us that our annuities would be paid in depreciated dollars while health expenses would skyrocket. No one foresaw that the development of new drugs to help older people would find the drugs priced out of reach of the persons who need them most. The most important promise made to us on retirement was the assurance by our successors that they would carry on in the great American tradition, based on the principles of justice and fairplay. We know that this promise will be kept, because you will be the retired persons of tomorrow. Your generation knows that your example today is the lesson by which your children will learn how to deal with the older persons in years to come. There is no proper justification under our way of life for aid to retirees to be delayed just because they are rapidly dying out. We are extremely grateful that a vast majority in the Congress and in the executive branch of the Government share this point of view.

At the same time, we appreciate the many practical problems presented. We need a health service program as soon as possible. A complex program takes longer to organize than a simple program. We favored the program in S. 2575 when it was before the Senate, and we still think it is a good program. However, we are impressed with the views of the Civil Service Commission, stated in its letter of April 20, 1960, to the Senate committee, that S. 2575 offers too many different choices, and that it could not be made effective by January 1, 1961, unless narrowed to not more than two plans for retired employees and survivors. We believe that the simpler approach in bills H.R. 12495, by Mr. Lesinski, and H.R. 12506, by Mr. Broyhill, is more acceptable to the Civil Service Commission, and we would gladly agree to have it substituted for the plan in S. 2575, except that we believe this simplified program could be placed into operation before July 1, 1961. If the new simplified approach is adopted in its entirety, we believe the Civil Service Commission could make it effective not later than January 1, 1961.

We are most earnest in our efforts to continue our own NARCE hospital-surgical plan as one available under the bill. This is due not only to some pride in a going program, which now covers almost 55,000 persons, but also to preserve substantial health services for many retirees and survivors who would not be eligible for the Government program. By the terms of the bill, nondisabled retirees with less than 12 years of service are not eligible for benefits. Also ex-

cluded are survivors who do not receive annuities. They are eligible under the NARCE hospital-surgical plan, where they pay the entire premium, but they would be without any coverage if the NARCE hospital-surgical plan is terminated. We can spread the benefits of the program without increasing the cost to the Government if we can continue the NARCE hospital-surgical plan.

We thank the chairman and members of this committee for the privilege of appearing at this hearing. We are also grateful to the many others who have encouraged and helped us in this legislation.

Mr. DAVIS. The next witness is Mr. George D. Riley, the AFL-CIO legislative representative.

STATEMENT OF GEORGE D. RILEY, AFL-CIO LEGISLATIVE REPRESENTATIVE

Mr. RILEY. The AFL-CIO, through actions of its executive council and its constitutional convention, has called for legislation to provide health benefits to retired employees of the Federal Government.

We vigorously supported coverage of those already retired as part of the original legislation to provide a health benefits program for Federal employees. Since this provision was deleted from the legislation passed by the Congress, we consider passage of a separate bill to deal with this problem an absolute necessity.

The profound need for immediate action by this Congress to provide civil service annuitants with some protection against the crushing burden of medical costs could not be clearer. The group we are speaking of consists of those who have served our Government well and faithfully many years. As they have grown old, their need for medical care has sharply increased while their incomes fell drastically at the time of their retirement. Their greatest single fear is of dependency or destitution resulting from high medical and hospital bills which they cannot pay.

Your committee has the opportunity to deal with this problem simply and directly, by reporting S. 2575 for passage. Not only does your committee have such opportunity, but its action is the only source to which retired Federal employees can look as they struggle to cope with the problem of health costs in a dignified and organized way. As you are well aware, other retirees have other channels of action open to them.

Many have been able to obtain some health protection as a result of collectively bargained agreements. The vast majority of retired workers in the country are confidently awaiting congressional action which will make health benefits available to them as social security beneficiaries. Indeed, the vigor of the demand for such action has electrified the Nation. Neither of these two mechanisms is available to retired Federal employees.

People living on annuities averaging \$155 a month, or \$56 a month for survivors, are in no position to meet the costs of needed health care from their own resources, nor can they be expected to pay the exorbitant premiums charged for scanty coverage by private insurers. Their alternative is frequently to deny themselves needed care or to fall into dependency status and onto the relief rolls. These people cannot wait much longer for the help they need, as the Civil Service Commission apparently wishes they would or could. The Commis-

sion's suggestion, that enactment of S. 2575 now would "be contrary to an approved policy of opposing new programs, at least until fiscal conditions improve," is the crassest instance I know of subordinating human lives to budget balancing.

We see no reason to put aside the bill as passed by the other body, which could be speedily enacted into law, in favor of H.R. 12495. In fact, we fear that the loose provisions of H.R. 12495 respecting the unlimited number of plans which could receive funds without having to conform to any minimum standards, would result not only in a waste of funds, but in tragic disappointments to many old people who would be under the impression they had meaningful insurance protection while in reality they had none or close to none.

I urge this committee, with all the emphasis at my command, to report S. 2575 without another day's delay. It is a matter of social and moral necessity.

Mr. DAVIS. The next witness is Mr. James A. Campbell, president of the AFGE.

STATEMENT OF JAMES A. CAMPBELL, PRESIDENT, AMERICAN FEDERATION OF GOVERNMENT EMPLOYEES

Mr. CAMPBELL. The American Federation of Government Employees wholeheartedly endorses the proposal to provide voluntary health-insurance benefits for Federal employees who have retired prior to the effective date of the Federal Employees Health Benefit Act of 1959.

The supplementation of the 1959 law provided in S. 2575 and in H.R. 12495 sponsored by Representative Lesinski as well as in similar bills introduced by many other Members of the House is in the category of urgent legislation. To all who sponsored such bills we are deeply grateful. This legislation is required as a matter of justice to those who have given many years of service to the Federal Government.

There is no group that deserves more consideration from the Government than those who have made public service a lifetime career. Many of those former employees gave their service in the years when pay and working conditions were less desirable than they are today.

It ill becomes the Government of the United States in effect to tell those retired employees that they are less deserving of consideration than those on active duty. We sincerely hope that no such a discriminatory attitude will ever become the fixed policy of the Government.

We are led to believe that such a policy will not be adopted. The fact that favorable action already has been undertaken by the Senate and that this hearing by the House committee is evidence of the interest of that body is heartening indication that the health-insurance program already authorized will be rounded out to permit all Federal employees—past and present—to avail themselves of an opportunity to participate.

Last year the Federal Government joined the many large employers in private industry that provided health insurance for their employees during their active service and after retirement. An increasing number of employers other than Government have adopted a health benefit program.

This progress in extending coverage of retirees is indicated in the latest study by the Bureau of Labor Statistics of health and insurance plans under collective bargaining. That study analyzed 300 plans which provided benefits for 4.9 million workers. When a similar study was made in late 1955, 22.3 percent of the plans analyzed included benefits for retired employees. This percentage had risen to 38.3 by early 1959. Extension of such benefits to the dependents of retired employees had doubled, rising from 18.7 percent of the plans surveyed in 1955 to 37 percent in 1959. About three-fifths of the 112 plans providing benefits for both active and retired workers accorded the same benefits to retired workers in all respects as those available immediately prior to retirement. The same proportion was maintained with respect to benefits for dependents of active and of retired employees. Virtually all plans making hospital benefits available for both active and retired workers provided the same type of benefits, whether cash or service, for both groups. This situation also is true of dependents of active and of retired workers.

Inclusion of retired workers in health-insurance benefit plans has been increasingly more liberal. Many large companies not only include in their health-insurance plans employees who had been participants prior to retirement, but cover those who had already retired. Among such firms are the Eastman Kodak Co., B. F. Goodrich Co., Arkansas Power & Light Co., Goodyear Tire Co., Firestone Tire Co., First National Bank of Oregon, American Sugar Refining Co., Swift & Co., and the Minnesota Mining and Manufacturing Co.

Many large concerns pay the full cost of health-insurance benefits for retired employees. Among those having such an arrangement are the American Can Co., Aluminum Co. of America, Armour & Co., Continental Can Co., Inc., American Seating Co., and Lever Bros. The full cost of benefits for the dependents of retirees as well is paid by the Dow Chemical Co., United States Rubber Co., Radio Corp. of America, and Sperry Gyroscope Co.

The State of New York made health benefit coverage available to its retired employees 2 years ago. The State pays 50 percent of the cost of coverage.

Large utility companies likewise provide group hospitalization and surgical benefit plants for their retired workers. These include Southern California Edison, Detroit Edison, Dayton Power & Light, Cleveland Electric Illuminating Co., Union Electric Co., Potomac Electric Power Co., Commonwealth Edison, and Puget Sound Power & Light Co.

The Federal employees presently on the retirement roll are a group for whom the Government should be concerned. This assertion is predicated first on the fact that in 1959 the average service of employee annuitants was 23 years. Of the 333,898 employee annuitants on the retirement roll at the end of fiscal year 1959, 95,299, or 28 percent, had retired after 30 years of service. Thus it is a group that includes many who have made Government employment a career.

It is also a group that is in need of every assistance to enable them to live in at least a minimum degree of health and comfort to the full extent of their physical capabilities. No one in or out of Government would advocate a standard of care for those who are retired that is less than that needed to provide this minimum of health and comfort.

It is scarcely fitting for the Federal Government to provide health insurance benefits for its active employees, including those who after June 30 will retire, and deny it to those who have already completed their Federal service. Many of those persons became incapacitated during their years in the public service. Of the employee annuitants on the roll at the end of fiscal year 1959, 92,723 or 27 percent had retired for disability.

Many employees who retired for disability acquired it in a manner undoubtedly traceable to their service. There is statistical evidence to support that conclusion. Forty-six percent of the 63,623 Federal employees retired for disability from 1948 to 1956, inclusive, were retired for cardiovascular diseases. This large proportion of disability retirement because of heart disease reflects the stress and tension of employment.

What may be said in advocacy of health insurance protection for active-duty employees may be said with appreciably greater force with respect to those who have retired. Many of these persons need this assistance for many reasons, economic as well as humanitarian. One of the important reasons is that the incidence of illness becomes greater in later life.

This increasing likelihood of illness, which may be severe and prolonged, may prove to be costly at a time of life when a retired person is unprepared. Thus from the standpoint of need, it is evident that men and women in their later years are likely to require additional medical care.

The average age of employee annuitants on the retirement roll is presently 67.5 years. Of those receiving regular and voluntary annuities on account of age and voluntary and involuntary separations June 30, 1958, 181,964 or 58 percent were 65 years or over. There were many more on the roll, however, who were well past that age. The number who were 75 and over totaled 51,195, or 16 percent.

Those who are 65 and over are of a varying state of health. The extent of that variation has been indicated with some precision in reports to the national health survey for the 16 million persons in the uppermost age bracket the country over. It was shown in this survey that 22 percent of the persons aged 65 and above reported no chronic conditions. About 35 percent reported that they had chronic conditions but were not limited in their activities. Chronic conditions which partially limited their activities were stated by 29 percent of these older persons. Finally about 14 percent were prevented from carrying on any major activity by chronic conditions which kept half this group from leaving their homes.

These characteristics of all persons 65 and over parallel those of former Federal employees who are on the retirement roll. At the end of fiscal year 1959, 27 percent of the employee annuitants then on the retirement roll had retired for disability. In the country as a whole, 29 percent of the persons 65 and above had chronic conditions which limited their activities.

Many of those presently on the retirement roll are receiving annuity payments which would be wholly inadequate to meet the unusual demands for medical care of those who are of advanced age. This fact alone makes it imperative that health insurance benefits should be extended to these persons. While annuities have been increasing in

ACCIDENT AND HEALTH EXPERIENCE — 1953
LOSS AND EXPENSE RATIOS { "E" — based on earned premiums
 "W" — based on written premiums

COMPANY	Net premiums written (Countrywide)	Net premiums earned (Countrywide)	Underwriting Ratios (Countrywide)			Analysis of Expenses (Countrywide)					New York State Experience			
			Losses incurred "E"	Expenses (adjusted)	Net gain (adjusted)	Loss adjust- ment "E"	Commis- sion and brokerage "W"	Other acqui- sition "E"	General "E"	Taxes and loss "W"	Direct premiums earned	Incurred loss ratio "E"		
STOCK COMPANY (F. & C.) AGGREGATES														
1964.....	\$44,101,726	\$43,908,537	44.7	48.1	7.2	4.1	27.0	10.0	4.7	2.3	\$7,293,475	50.2		
1965.....	37,481,716	37,221,832	42.5	48.4	9.1	3.9	27.2	10.5	4.4	2.4	6,120,180	47.4		
1966.....	39,065,063	38,784,600	42.8	47.6	9.6	3.6	26.7	10.6	4.5	2.3	5,182,864	65.4		
1967.....	42,623,987	41,938,386	45.6	47.3	7.1	3.8	26.3	10.4	4.5	2.3	7,185,817	50.1		
1968.....	43,362,618	42,970,279	42.2	47.5	10.3	3.7	26.4	9.9	5.1	2.4	7,638,537	47.7		
MUTUAL COMPANY (F. & C.) AGGREGATES														
1964.....	2,020,667	1,963,378	63.3	38.2	-1.5	3.9	2.7	21.2	8.1	2.3	171,355	71.4		
1965.....	2,488,569	2,364,901	74.7	42.4	-17.1	4.4	6.2	21.3	8.3	2.2	222,780	72.0		
1966.....	3,068,900	2,674,065	67.0	41.5	-8.6	4.5	6.1	19.4	9.2	2.3	279,620	55.9		
1967.....	3,532,432	3,437,709	72.2	36.7	-8.9	4.4	7.8	15.3	8.6	2.6	340,249	104.4		
1968.....	3,678,609	3,632,961	75.3	37.3	-12.6	4.4	8.6	14.6	7.3	2.4	348,462	56.6		
LIFE AND A. & H. COMPANY AGGREGATES														
1964.....	115,772,421	113,203,524	56.4	40.9	2.7	4.2	22.1	5.0	7.2	2.4	20,692,312	50.5		
1965.....	123,806,061	121,783,659	58.0	40.3	.8	4.1	21.5	5.2	7.1	2.3	21,800,782	52.8		
1966.....	140,017,641	130,533,486	60.2	41.5	-1.7	2.9	22.5	5.5	8.3	2.4	23,600,366	54.3		
1967.....	149,734,634	146,501,700	56.5	40.0	3.6	3.1	21.4	5.1	8.0	2.4	24,937,018	54.7		
1968.....	152,131,665	149,321,179	55.1	39.1	5.8	3.2	20.3	5.2	8.1	2.4	25,151,805	54.3		
REINSURANCE COMPANY AGGREGATES														
1964.....	1,996,247	2,047,258	38.0	49.9	12.1	2.2	38.0	4.6	4.0	1.1	—	—		
1965.....	2,016,901	1,439,634	39.1	56.0	4.9	2.4	42.7	6.9	2.3	.7	—	—		
1966.....	4,314,122	2,803,671	41.2	55.7	3.1	1.7	47.7	4.3	1.7	.3	—	—		
1967.....	2,815,689	3,108,659	44.1	53.5	2.4	1.3	46.9	3.2	1.5	.6	—	—		
1968.....	3,609,660	3,710,631	41.3	56.4	2.3	1.2	49.6	3.5	1.7	.4	—	—		

1958 EXPERIENCE													
Stock Companies (F. & C.)													
Etna Insurance Group.....	99,709	94,571	25.1	52.0	22.9	1.9	29.6	7.7	9.4	3.4	32,343	46.9	
Allstate Group.....	149,210	32,244	27.3	141.7	-69.0	9.4	3.2	44.9	81.4	2.8	10,338	86.1	
America Fore Group.....	33,273	36,194	67.6	48.6	-16.2	-8.8	40.1	4.3	10.7	2.3	389,812	49.4	
American Casualty Group.....	996,178	1,013,170	36.2	54.0	9.8	3.7	32.7	9.0	5.1	3.5	21,063	-6.9	
American Employers.....	103,800	134,031	-21.4	44.3	77.1	-1.1	27.3	5.9	8.8	2.4	185,142	52.8	
Commercial Union Group.....	659,689	885,781	61.2	40.9	-2.1	1.9	29.5	1.6	4.1	3.8	2,694,685	48.8	
Continental Casualty.....	26,392,443	26,173,515	42.9	47.1	10.0	3.2	26.8	11.3	3.6	2.2	1,870	7.9	
Employers' Fire.....	15,953	19,050	63.6	66.1	-29.7	19.3	27.2	5.3	12.0	2.3	61,422	41.3	
Employers' Liability.....	229,787	294,825	7.1	48.5	46.4	-1.1	20.8	7.0	9.9	2.9	974,584	51.5	
Fireman's Fund Group.....	1,312,139	1,410,501	34.9	40.9	24.2	3.6	22.1	3.9	6.6	2.7	135,305	24.3	
General Accident Group.....	887,173	888,080	61.0	52.3	-3.3	4.4	34.7	2.8	7.8	2.6	16,998	7.9	
Glens Falls.....	27,864	29,585	32.9	98.0	-30.9	26.5	23.4	21.1	22.6	5.4	7,128	34.8	
Great American Group.....	63,926	64,826	48.4	59.7	-8.1	4.4	29.8	13.1	9.7	2.7	83,922	2.3	
Hartford Accident and Indemnity.....	422,752	390,303	34.8	65.0	2	12.0	34.8	12.9	12.5	2.8	28,774	51.2	
Indemnity of North America.....	595,600	230,090	26.5	80.7	-7.2	2.7	30.6	26.8	28.3	2.3	430,610	38.1	
Insurance Co. of North America.....	199,027	131,520	103.7	60.1	-69.8	1.7	34.1	18.7	20.0	1.6	5,273	31.2	
London & Lancashire Group.....	19,310	21,262	44.2	67.1	-11.3	4.4	33.4	8.3	17.6	3.4	180,604	43.1	
Loyalty Group.....	1,184,002	1,193,464	44.2	50.7	5.1	9.8	30.7	2.3	5.2	2.7	98,101	38.9	
Manhattan Casualty.....	128,553	98,101	43.1	156.5	-99.6	2.4	46.5	99.0	5.5	3.1	40,102	51.2	
Maryland Casualty.....	234,234	279,507	33.9	42.3	23.8	3.3	26.8	5.0	4.3	2.9	379,233	38.1	
Massachusetts Bonding.....	1,973,066	1,983,031	52.0	47.7	.3	4.1	28.1	7.5	5.4	2.6	400,910	52.6	
National Casualty.....	1,848,192	1,864,408	49.7	50.5	-2	4.3	29.8	9.2	2.6	2.6	379,253	58.7	
New Amsterdam Casualty.....	83,927	87,877	32.6	64.3	3.1	9.4	26.9	8.9	18.3	2.8	47,132	38.1	
Old Republic.....	461,512	629,468	30.6	42.0	27.4	9.2	29.0	1.2	6.2	5.4	2,248	39.2	
Peerless.....	82,513	78,130	36.7	49.3	14.0	3.4	30.6	9.1	3.6	2.6	10,729	40.7	
Phoenix of London Group.....	35,047	62,371	51.0	47.3	1.7	5.0	27.8	6.1	5.2	3.2	18,680	50.210	
Royal-Globe Group.....	17,979	124,727	36.3	63.7	-2.0	8.2	32.5	5.4	14.6	3.9	2,110	8.6	
St. Paul Group.....	32,423	29,480	44.0	45.4	10.6	2.3	20.7	10.9	8.9	2.6	15,448	59.6	
Syracuse Group.....	37,101	37,532	36.1	40.0	23.9	4.4	21.6	1	13.9	2.5	19,133	3.455	
Standard Accident Group.....	59,983	63,925	28.9	55.0	18.1	4.8	27.4	8.2	12.1	2.5	108,136	47.7	
Sun Group.....	145,422	147,416	47.3	51.2	1.5	6.2	33.4	1.6	7.0	3.0	1,476,407	52.3	
Transportation.....	4,433,150	4,370,346	36.6	40.9	22.6	3.7	18.5	7.5	8.7	2.5	3,824	1.7	
Travelers.....	13,835	14,784	60.6	91.2	-51.8	17.3	32.0	10.3	27.5	4.1	15,448	59.6	
United States Casualty.....	101,609	106,339	28.4	59.4	12.2	8.3	30.3	7.9	10.1	2.8	19,133	3.455	
U. S. Fidelity & Guaranty.....	22,235	21,258	79.8	62.1	-41.9	6.2	25.6	3.8	24.9	1.7	19,133	3.455	
United States Fire.....	14,823	14,172	79.8	61.4	-41.2	6.2	25.6	3.5	24.3	1.8	19,133	3.455	
Westchester Fire.....	16,898	16,896	69.3	26.8	3.0	1.2	13.5	2.1	6.5	3.5	19,133	3.455	
Yorkshire Group.....	34,472	61,292	-7.3	64.3	43.0	6	30.0	20.5	10.6	2.6	19,133	3.455	
Zurich-American Group.....													
Totals—Stock Companies (F. & C.)...	\$43,362,518	\$42,970,279	42.2	47.5	10.3	3.7	26.4	9.9	6.1	2.4	\$7,638,537	47.7	

Federal Life & Casualty.....	3,405,829	3,018,021	37.5	57.5	5.0	2.1	37.9	7.9	7.5	2.1	347,493	43.5
Guardian.....	268,636	247,350	26.5	60.5	14.0	2.2	19.5	15.5	20.8	2.5	51,882	11.4
Hearthstone of Mass.....	333,678	307,930	29.6	55.0	15.5	8.2	29.8	6.7	12.7	2.6	149,106	24.8
Loyal Protective.....	236,140	241,433	55.4	41.6	3.0	-4	6.5	.5	31.9	2.3	20,022	59.4
Massachusetts Casualty.....	76,742	78,529	45.1	51.8	3.1	7.4	24.9	.0	16.8	2.7	483	—
Massachusetts Indemnity & Life.....	121,928	124,684	52.9	44.5	2.6	8.7	7.5	13.2	12.0	3.1	14,460	54.4
Metropolitan.....	15,038,411	15,289,010	49.8	29.8	20.4	4.0	10.1	6.2	7.0	2.5	3,129,564	53.0
Monarch.....	227,848	183,246	29.4	63.4	7.2	1.7	34.3	11.1	12.7	3.6	31,143	20.4
Mutual Benefit H. & A.....	80,532,882	78,088,781	55.7	37.2	7.1	2.6	21.0	5.4	5.8	2.4	10,251,052	56.6
Mutual of N. Y.,.....	2,105,246	2,058,109	39.9	61.9	-1.8	4.0	21.2	23.8	10.1	2.8	284,941	36.0
New York.....	1,491,703	1,449,203	59.9	28.2	11.9	3.6	14.0	3.4	5.2	2.0	74,798	50.4
North American Accident.....	7,421,922	7,445,415	51.4	45.9	2.7	2.3	34.1	.5	6.7	2.3	1,279,384	49.0
North American Reinsurance.....	1,343,560	1,413,905	48.1	44.5	7.4	.0	38.2	.0	3.7	1.6	—	—
Northeastern.....	96,359	95,423	37.5	47.1	15.4	5.9	31.7	2.9	3.5	3.1	83	—
Old Republic.....	-95,158	102,787	—	—	—	—	—	—	—	—	-2,747	—
Prudential.....	14,630,746	14,049,634	67.7	30.1	-6.8	4.9	16.0	7.8	7.9	2.5	891,988	57.5
Security Mutual.....	769,904	777,400	54.5	54.3	-8.8	.6	34.9	1.1	15.1	2.6	288,711	52.1
Union Mutual.....	1,216,801	1,309,154	73.6	36.4	-10.0	2.8	23.3	.3	7.7	2.3	71,522	70.7
United Mutual.....	18,456	18,327	34.0	74.0	-8.0	.0	43.3	.0	27.3	3.4	17,908	39.2
United States.....	2,105,376	2,099,807	54.8	36.2	9.0	1.9	20.3	.5	11.2	2.3	1,227,191	51.5
Unity Mutual.....	600,042	644,004	35.1	66.3	-1.4	4.1	40.6	2.8	17.2	1.6	563,355	34.7
Victory Mutual.....	46,609	46,988	37.8	89.6	-27.4	2.7	33.9	16.3	33.2	3.5	27,094	39.3
Totals—Life and A. & H. Companies..	\$152,121,665	\$149,321,179	55.1	39.1	5.8	3.2	20.2	5.2	8.1	2.4	\$25,151,805	54.3
REINSURANCE COMPANIES												
Accident and Casualty.....	\$358,624	\$364,741	36.2	54.7	9.1	3.7	33.3	9.1	5.1	3.5	—	—
American Re-Insurance.....	1,626,205	1,620,239	35.8	62.4	1.8	.6	59.3	1.8	.7	.0	—	—
Employers Reinsurance Corp.....	1,163,620	1,103,111	43.3	52.8	3.9	1.3	43.6	6.5	2.2	.2	—	—
General Reinsurance.....	332,494	329,848	35.0	53.8	11.2	.6	49.2	1.2	2.7	.1	—	—
North American Reinsurance Corp.....	147,440	131,406	78.2	43.0	-21.2	1.7	40.5	.8	.0	.0	—	—
Swiss Reinsurance.....	180,204	160,607	78.2	43.0	-21.2	1.7	40.5	.8	.0	.0	—	—
Totals—Reinsurance Companies.....	\$3,809,650	\$3,710,531	41.3	50.4	2.3	1.2	49.6	3.5	1.7	.4	—	—

HOSPITAL AND MEDICAL EXPERIENCE — 1958
LOSS AND EXPENSE RATIOS { "E" — based on earned premiums
 "W" — based on written premiums

COMPANY	Net premiums written (Countrywide)	Net premiums earned (Countrywide)	Underwriting Ratios (Countrywide)			Analysis of Expenses (Countrywide)					New York State Experience			
			Losses incurred "E"	Expenses (adjusted)	Net gain (adjusted)	Loss adjust- ment "E"	Commis- sion and brokerage "W"	Other acquisi- tion "E"	General "E"	Taxes and fees "W"	Direct premiums earned	Incurred loss ratio "E"		
STOCK COMPANY (F. & C.) AGGREGATES														
1954	\$30,275,856	\$30,844,427	40.2	45.9	13.9	4.0	25.8	10.5	3.5	2.1	\$4,135,426	35.0		
1955	39,488,288	38,831,739	42.8	45.2	12.0	3.7	24.2	10.2	4.7	2.4	6,134,488	46.0		
1956	38,703,322	39,498,021	44.7	46.7	8.6	4.1	24.7	10.6	4.0	2.4	6,877,525	32.0		
1957	41,240,592	40,690,325	43.8	47.0	9.6	4.3	25.1	10.9	5.3	2.4	5,480,579	42.8		
1958	45,609,774	43,928,194	48.9	50.4	7	4.2	26.8	12.0	6.0	2.4	6,013,312	46.6		
MUTUAL COMPANY (F. & C.) AGGREGATES														
1954	3,930,959	3,727,862	51.3	49.0	7	5.3	18.3	12.7	9.4	2.3	527,468	43.8		
1955	4,305,729	4,279,770	42.7	48.2	8.1	4.5	18.4	13.9	10.0	2.4	589,155	43.6		
1956	4,169,210	4,344,212	34.8	44.8	20.4	4.3	16.6	13.3	8.3	2.3	603,549	28.7		
1957	5,755,933	4,350,773	29.5	44.3	20.2	4.2	17.2	12.8	7.8	2.3	553,015	26.2		
1958	4,223,532	4,555,679	36.4	41.1	22.5	4.2	14.9	12.2	7.5	2.3	565,212	36.3		
LIFE AND A. & H. COMPANY AGGREGATES														
1954	81,357,080	70,697,715	62.0	48.2	-2	4.8	25.1	7.1	8.7	2.5	13,851,221	44.4		
1955	78,139,670	70,768,015	55.9	41.2	2.8	4.6	21.6	5.9	6.8	2.3	12,701,436	48.2		
1956	86,856,452	83,436,374	58.4	40.0	1.6	3.0	22.8	4.9	7.0	2.3	13,347,736	49.1		
1957	92,158,025	91,473,198	57.2	40.2	2.6	2.9	22.5	4.9	7.4	2.5	14,298,134	49.6		
1958	102,804,417	97,231,882	57.9	42.1	0	3.5	22.7	5.2	8.3	2.4	16,300,933	48.1		
REINSURANCE COMPANY AGGREGATES														
1954	826,884	188,537	50.2	60.7	-10.9	1.6	51.7	1.5	2.8	1	—	—		
1955	1,102,609	214,673	46.5	45.6	7.9	2.4	33.2	4.0	4.3	1.7	—	—		
1956	1,399,489	1,352,298	42.6	52.2	5.2	2.9	36.8	5.2	3.0	1.3	—	—		
1957	1,499,800	1,533,141	30.2	50.3	10.5	3.0	39.9	3.4	2.6	1.4	—	—		
1958	1,903,162	1,800,728	66.7	50.3	-7.0	3.1	38.3	4.4	3.0	1.5	—	—		

1958 EXPERIENCE											
Stock Companies (F. & C.)											
Atlas Insurance Group.....	130,512	102,241	59.5	53.3	2.2	3.2	27.7	2.4	15.2	2.8	9,469
American Casualty Group.....	2,750,455	2,885,088	45.2	50.5	4.3	4.5	31.4	7.4	4.4	2.8	359,596
American Employers'.....	136,441	137,791	53.8	53.3	-7.4	3.5	28.0	4.8	14.9	2.4	21,185
American Insurance Group.....	47,494	46,196	88.3	47.6	-1.9	3.4	2.5	4.9	4	3.4	---
American Motorists.....	276,991	314,364	32.5	47.6	19.9	4.9	24.1	9.6	6.6	2.5	71,617
Beneficial Fire & Casualty.....	23,447	22,119	46.0	98.0	-41.0	2.7	35.9	35.7	18.8	4.9	---
Boston Group.....	205,586	214,015	68.8	56.5	-24.3	5.8	20.6	8.5	12.5	2.1	4,380
Commercial Union Group.....	49,208	46,776	46.2	27.1	27.7	1.7	11.7	3.8	7.2	2.9	5,385
Continental Casualty.....	24,458,685	23,887,353	48.2	47.0	4.8	3.5	25.8	11.7	3.7	2.2	2,629,619
Employers' Fire.....	16,851	17,026	64.1	52.6	-18.7	1.9	26.7	4.3	13.9	2.8	439
Employers' Liability.....	200,293	200,454	46.9	54.3	-1.2	3.2	28.4	5.0	14.8	2.9	28,211
Fireman's Fund Group.....	152,326	152,301	55.7	47.8	-5	6.9	20.1	8.6	8.3	2.9	12,854
General Accident Group.....	1,125,040	1,135,805	46.8	51.0	2.2	4.2	34.2	2.9	7.9	2.6	153,179
Hartford Accident and Indemnity.....	1,879,581	1,653,990	46.8	53.4	3	4.2	20.8	14.2	11.5	2.7	239,378
Indemnity of North America.....	716,840	236,786	14.2	90.6	-34.8	3.1	20.4	31.5	33.3	2.3	22,758
Lloyalty Group.....	1,731,742	1,748,353	54.7	44.5	-8	9.9	28.1	1.5	2.5	2.5	581,660
Manhattan Casualty.....	772,537	578,128	26.6	157.5	-84.1	1.5	46.6	100.8	5.6	3.1	578,128
Maryland Casualty.....	367,508	355,216	59.5	43.1	17.4	3.5	25.7	5.7	5.4	2.8	36,046
Massachusetts Bonding.....	499,187	506,351	49.1	47.1	3.8	3.9	27.6	7.6	5.4	2.6	67,548
National Casualty.....	2,150,065	2,167,387	46.5	53.5	0	6.4	31.2	10.5	2.8	2.6	355,076
Peoples.....	110,498	12,033	285.6	196.3	-381.9	23.5	30.5	100.2	39.9	2.2	29,251
Royal-Globe Group.....	877,284	1,223,478	49.5	46.3	4.2	6.5	18.2	5.9	13.6	2.2	282,355
St. Paul Group.....	1,071,068	1,039,870	40.8	51.1	8.1	2.9	24.2	11.4	10.0	2.6	52,718
Sun Group.....	21,238	21,494	49.7	40.2	10.1	7.0	24.2	1.3	5.8	1.9	8,519
Transportation.....	---	---	---	---	---	---	---	---	---	---	---
Travelers.....	5,597,944	5,332,153	57.3	52.7	-10.0	4.8	20.2	12.8	11.9	3.0	413,790
Zurich-American Group.....	173,274	161,969	101.4	111.5	-112.9	4.5	9.6	61.2	33.0	3.2	6,173
Totals—Stock Companies (F. & C.).....	\$45,609,774	\$43,929,494	48.9	50.4	.7	4.2	25.8	12.0	6.0	2.4	\$6,013,312
MUTUAL COMPANIES (F. & C.)											
American Mfrs. Mutual.....	\$27,900	\$21,565	38.7	54.6	6.8	6.3	13.1	20.0	13.1	2.0	---
American Mutual Liability.....	92,545	64,667	85.9	30.7	-16.6	1.2	1.3	9.7	15.6	2.8	14,750
Employers Mutual Casualty.....	277,195	318,416	8.9	38.1	55.0	1.1	26.3	1.6	5.2	1.9	21
Federal Mutual.....	62,002	54,812	39.7	74.5	-13.2	6.3	21.5	28.7	15.5	2.5	---
Hardware Mutual Casualty.....	404,513	397,500	71.0	27.4	-1.4	8.6	0	17.8	3.8	2.2	11,635
Lumbermens Mutual Casualty.....	809,408	1,063,828	33.0	48.2	18.8	5.8	23.8	9.2	7.3	2.1	202,738
Nationwide Mutual.....	2,507,287	2,625,559	34.1	41.2	24.7	4.1	13.2	13.6	8.0	2.3	328,823
Totals—Mutual Companies (F. & C.).....	\$4,223,832	\$4,555,679	36.4	41.1	22.5	4.2	14.9	12.2	7.5	2.3	\$558,272
Totals.....											
				</							

HOSPITAL AND MEDICAL EXPERIENCE — 1953 — concluded
LOSS AND EXPENSE RATIOS { "E" — based on earned premiums
 "W" — based on written premiums

COMPANY	Net premiums written (Countrywide)	Net premiums earned (Countrywide)	Underwriting Ratios (Countrywide)				Analysis of Expenses (Countrywide)				New York State Experience	
			Losses incurred "E"	Expenses (adjusted)	Net gain (adjusted)	Loss adjustment "E"	Commission and brokerage "W"	Other acquisition "E"	General "E"	Taxes and fees "W"	Direct premiums earned	Incurred loss ratio "E"
LIFE AND A. & H. COMPANIES												
Equa	\$936,956	\$867,190	54.0	42.0	4.0	9.1	14.0	2.2	13.3	2.8	\$66,008	39.2
American Progressive	2,063,632	1,823,560	32.1	69.2	-1.3	1.2	41.8	.0	19.3	3.9	1,275,508	17.8
Falkers	73,365	75,354	43.2	44.9	11.9	6.2	7.7	3.9	24.4	2.7	2,927	—
Benefit Ass'n. Ry. Employees	1,639,131	1,607,519	48.6	47.4	4.0	1.0	25.0	.8	18.5	2.1	25,594	59.7
Berkshire	448,229	441,668	56.3	61.5	-17.8	5.4	30.1	11.4	12.1	2.5	157,906	49.1
Columbian Mutual	437,458	433,814	44.3	50.9	4.8	.6	37.9	.0	10.0	2.4	281,003	51.6
Columbian National	256,269	259,019	53.7	63.7	-17.4	2.8	29.2	5.7	22.8	3.2	38,093	58.8
Connecticut General	1,280,680	1,166,048	46.1	96.8	-42.9	8.7	21.0	30.0	30.7	3.4	259,202	23.0
Continental Assurance	455,859	438,932	76.0	21.6	3.4	1.5	4.1	.5	13.7	1.8	16,052	59.4
Eastern Casualty	188,316	213,353	58.9	63.1	-20.0	4.4	39.7	16.5	.0	2.5	633,421	48.5
Empire State Mutual	913,519	890,277	52.3	51.5	-3.9	.2	35.1	.0	13.8	2.5	817,138	43.8
Equitable	1,957,550	1,883,946	51.7	49.3	.0	3.5	13.6	6.8	21.5	2.8	531,127	63.5
Farmers and Traders	617,711	599,772	53.3	44.2	2.5	2.3	18.0	5.0	16.4	2.6	149,983	40.7
Federal Life and Casualty	3,337,459	3,061,088	45.3	49.9	4.7	2.1	29.8	8.9	7.4	1.7	1,162,133	40.1
Guardian	73,403	72,633	52.3	68.5	-10.8	5.9	15.4	16.2	18.5	2.5	11,478	42.9
Hearsthorpe of Mass.	248,802	239,504	41.4	57.4	1.2	4.8	31.4	6.4	12.2	2.6	50,270	50.4
John Hancock	18,661	13,642	99.0	20.5	-19.5	2.7	.0	12.4	3.8	1.6	991	—
Massachusetts Casualty	464,720	406,607	37.3	32.8	-1	5.0	20.0	.0	5.8	2.0	—	—
Metropolitan	3,104,955	2,362,011	76.8	68.1	-35.9	6.6	15.9	11.0	22.6	3.0	575,820	37.3
Monarch	2,234,888	1,954,515	52.3	49.1	-1.4	2.4	21.9	9.9	11.9	3.0	358,179	38.6
Mutual Benefit H. & A.	73,473,954	69,773,325	59.1	38.8	2.1	3.9	21.9	5.1	6.9	2.3	7,342,731	53.1
New York	946,785	858,814	49.0	32.2	18.8	7.5	8.1	5.2	8.7	2.7	98,858	85.6
North American Accident	1,237,376	1,226,632	64.0	42.0	-8.0	2.8	29.8	.5	6.6	2.3	26,294	52.7
North American Reinsurance	12,594	10,265	1.5	54.4	44.1	.0	45.8	.0	7.0	1.6	—	—
Prudential	110,851	100,100	60.0	33.2	-2.8	4.5	.0	.0	20.3	3.0	9,892	—

Security Mutual.....	4,472,677	4,485,225	66.5	37.9	-4.4	.4	24.9	.8	9.8	2.6	1,807,038	51.2
United States.....	1,702,306	1,676,637	46.8	52.6	.6	2.3	36.0	.5	11.5	2.3	670,803	45.5
Unity Mutual.....	115,638	125,521	36.5	82.4	1.1	1.9	38.3	3.2	17.0	2.0	83,082	38.4
Victory Mutual.....	12,924	13,451	44.4	90.1	-34.5	3.0	34.6	16.1	32.8	3.6	8,152	32.5
Totals—Life and A. & H. Companies..	\$102,864,417	\$97,231,862	57.9	42.1	.0	3.5	22.7	5.2	8.3	2.4	\$16,380,933	48.1
REINSURANCE COMPANIES												
Accident and Casualty.....	\$990,164	\$930,633	45.2	51.3	3.5	4.0	31.9	7.5	4.5	2.8	---	---
Employers Reinsurance Corp.....	36,335	32,423	38.1	56.7	5.2	.7	47.9	6.7	2.2	.2	---	---
General Reinsurance.....	385,902	415,439	74.4	46.3	-20.7	1.6	40.7	1.2	2.7	.1	---	---
North American Reinsurance Corp.....	221,287	190,003	65.9	51.0	-16.9	1.6	48.6	.8	.0	.0	---	---
Swiss Reinsurance.....	270,462	232,226	65.9	51.0	-16.9	1.6	48.6	.8	.0	.0	---	---
Totals—Reinsurance Companies.....	\$1,903,162	\$1,800,728	56.7	50.3	-7.0	3.1	38.3	4.4	3.0	1.5	---	---

AMERICAN LIFE CONVENTION,
Chicago, Ill.
 LIFE INSURANCE ASSOCIATION OF AMERICA,
New York, N.Y.
 HEALTH INSURANCE ASSOCIATION OF AMERICA,
Washington, D.C.
 JUNE 20, 1960.

Hon. JAMES C. DAVIS,
Chairman, Legislative Subcommittee, Committee on Post Office and Civil Service,
U.S. House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: This letter is written by the undersigned on behalf of the American Life Convention, the Health Insurance Association of America, and the Life Insurance Association of America. Included in their membership are companies which have in force approximately 90 percent of the voluntary health insurance underwritten by insurance companies in the United States and Canada.

There are pending before your committee measures which would provide for health benefit programs for Federal employees who became annuitants prior to July 1, 1960, the effective date of the Federal Employees Health Benefits Act of 1959. The insurance business strongly endorses the principle of such programs. Action by the Federal Government in recognizing its responsibilities to these former employees and their dependents in providing some protection against the economic hazards of illness and injury would be in keeping with the actions of progressive employers in private industry. Such action would also set an example for other employers, encouraging through such joint effort health care protection on a voluntary basis.

The insurance business endorses the principle of one competitively awarded governmentwide program. We are aware of the problems of choice which have confronted Federal employees in connection with the Federal Employees Health Benefits Act of 1959, and recognize that these problems would be much more acute for annuitants since they would not have readily available to them the facilities for explaining and answering questions which have been provided to the active employees through the civil service health benefit representatives and supervisory employees of the various agencies.

However, it is understood that a number of health care programs on a group basis cover segments of the annuitant group. There are those annuitants also who may have individual policies with which they are satisfied and would like to continue. We would therefore urge that in such instances where such plans are deemed satisfactory that the annuitants be allowed to continue in them and that Government contributions be made to support the payments in similar amount to that given for the governmentwide plan.

We trust that these comments will be of assistance to you and your committee in its consideration of these proposals.

Very truly yours,

AMERICAN LIFE CONVENTION,
 RICHARD E. VERNOR,
Counsel,
 HEALTH INSURANCE ASSOCIATION
 OF AMERICA,
 ROBERT R. NEAL,
General Manager.
 LIFE INSURANCE ASSOCIATION OF
 AMERICA,
 EUGENE M. THORE,
Vice President and General Counsel.

STATEMENT BY BLUE CROSS ASSOCIATION AND BLUE SHIELD MEDICAL CARE PLANS

Congressional enactment of the Federal Employee Health Benefits Act of 1959 constituted a major improvement in the personnel program for the employees of the Federal Government, and brought that program more closely in line with employee benefit patterns in effect in American business and industry. That act,

however, made no provision for those former Federal employees now in retirement. S. 2575, H.R. 12495, and other bills seek to remedy this situation.

The problem of providing adequate basic health care for older age persons is a difficult and continuing one but it can be accomplished if the relatively higher costs of their care can be blended in with the costs incurred by younger persons. The unique difficulty here is that the group of retired employees with whom this legislation is concerned is one which will constantly decrease in numbers but will also constantly increase in average age. Since there is no possibility of introducing new and younger people into the group, the ultimate result will be an ever-increasing average cost for each person in the group. For this reason we doubt that realistic benefits at a reasonable cost can be provided on an experience-rated basis for a group having the characteristics of this one. In our judgment a helpful program of health benefits can be provided for these retired employees only if they are a part of a continuing group or groups.

Neither the provisions of S. 2575 nor of section 3 of H.R. 12495 appear to us to be realistic. In each case some part of this group of retired employees would be isolated from a leavening influx of new and younger people with the result, as noted above, of an increasing average age and cost for each member of the group.

On the contrary, section 6 of H.R. 12495 seems to provide a means whereby these retired employees can be retained or incorporated in continuing health benefits programs. Section 6 provides that the Government will make a contribution toward the cost of a health benefits program which a retired employee obtains directly from a carrier or toward the cost of a program which the retired employee already has and wishes to retain.

Since their inception the Blue Cross and Blue Shield plans of the country have followed a basic policy of allowing their members to continue enrollment for life without regard to age or health condition. As a result, close to 4 million Americans, beyond retirement age, now enjoying continuing hospital and medical-surgical coverage through Blue Cross and Blue Shield. Since some 40 percent of all Federal employees were enrolled in Blue Cross and Blue Shield plans prior to the enactment of the 1959 act, it is likely that many thousands of retired Federal employees still maintain their memberships. Additionally many Blue Cross-Blue Shield plans as well as insurance companies are offering health benefit programs specifically designed for persons beyond retirement age. A contribution by the Government toward the cost of these programs would provide helpful benefits for many retired employees at a cost they can afford to pay.

As written, section 6 places no limitation on or control over the carriers from which these retired employees may obtain health benefits. In order to provide some measure of protection to the retired employee and to the Government it may be desirable to provide that a Government contribution will be made only in those cases where the carrier of the program retained or selected by the retired employee is a participant in the Federal employees health benefits program. This would give the Civil Service Commission some authority over the carriers and at the same time afford retired employees a wide range of choice of type of health plan and carrier.

We do not mean to represent by this statement that the most desirable health benefits plan will always be available to these retired employees, nor to represent that the benefits of those plans which are available are always comparable with plans which cover a broad spectrum of age groups. We do believe, however, that these retired employees can get better benefits at more reasonable costs if the Congress permits them to remain or become part of existing continuing plans than will be the case if they are isolated in a static group. We recommend, therefore, that the Congress give consideration to enacting legislation which will avoid the isolation of this group.

Mr. GROSS. Mr. Chairman, Mr. Wilson and his associates can be back here Monday if it is deemed necessary.

Mr. DAVIS. We might ask some questions at that time, if they could be back.

Mr. WILSON. We will be happy to be back.

Mr. DAVIS. Very well.

The next witness is Mr. Vaux Owen, president, National Federation of Federal Employees.

STATEMENT OF VAUX OWEN, PRESIDENT, NATIONAL FEDERATION OF FEDERAL EMPLOYEES

Mr. OWEN. Mr. Chairman and members of the committee, I am Vaux Owen, president of the National Federation of Federal Employees. Our organization is composed of employees in all departments and agencies of the Federal Government and in all grades and a wide variety of categories of employment. Our membership includes retired employees, since many members continue their membership in the NFFE when they retire from active Federal service.

On behalf of the NFFE I wish to express our wholehearted support for S. 2575, which is designed to provide health benefits for retired Federal employees to correspond as nearly as practicable to the benefits for active employees and future retirees who have been covered under the Federal Employees Health Benefits Act.

Mr. Chairman, there is every reason in justice and equity for the enactment of S. 2575.

The passage of the Health Benefits Act was brought about by bipartisan action in both Houses of the Congress. There was very general recognition of the need for such legislation both in the interest of the employees and their dependents and in the interest of the Government, which is concerned with improving personnel administration in the Federal service.

It has been recognized that there is a very special need and urgency for legislation which would provide health benefits protection to retired employees who have behind them many long years of devoted and loyal service to the Federal Government.

As is well known, the incomes and resources of aging retired Federal employees are in most cases severely limited. Rising costs of all kinds, and especially those of medical care and those involved in long and serious illnesses, present profoundly serious problems for these retired employees. I think it is fair to say that there is no group of persons in the country in greater need of the kind of health protection provided under S. 2575 than these retired Federal employees.

The Federal Government would, we believe, be remiss in its responsibility if it failed to act humanely and progressively in this matter. The NFFE has reason to believe that it is the desire of the majority of Members of Congress and of responsible officials in the executive branch to meet this responsibility by action now.

At the time the Health Benefits Act was up for consideration the sponsors of that legislation felt that the soundest procedure would be to provide for the retired employees in a separate bill. That procedure was agreed to, the Health Benefits Act was passed, and S. 2575 was introduced thereafter as a separate measure to provide health insurance protection for the retired employees. S. 2575 subsequently was approved by the Senate.

We strongly urge a favorable report on S. 2575 so that it may be acted upon by the House of Representatives before the adjournment of this session of the Congress.

It is our view that action in this area already has been too long delayed.

Each passing month underscores more emphatically the urgent need for action on this legislation. It is important to get a retiree health benefits program on the statute books and into operation at the earliest practicable date. We are aware, of course, that there is a substantial volume of administrative work which will have to be done to get the program underway and that this could influence the Congress in setting the effective date of the legislation.

In this connection we think it only fair and proper to commend the U.S. Civil Service Commission and its staff for the work they have done in getting the health benefits program underway. It has been an immense and complex task and it has been done with notable efficiency. Obviously, in so vast an undertaking some thorny problems have presented themselves. As might be expected, not all of those problems have been resolved to the complete satisfaction of all concerned. But we believe the Commission deserves great credit for the job done to date on this program.

We have no doubt that the Commission can handle successfully the special administrative problems involved in the proposed retiree health program given a reasonable and practicable amount of time as to effective date.

We would emphasize now, as we emphasized when the Federal employees health benefits legislation was under consideration, that the most important thing is to get a program on the statute books and underway—to get a start on providing the kind of health insurance protection so urgently needed by Federal employees, retired Federal employees, and their dependents.

We appreciate this opportunity of appearing before the subcommittee and presenting the views of the National Federation of Federal Employees on this important subject.

Mr. DAVIS. The next witness is Mr. Dan Jaspán, legislative representative, National Association of Postal Supervisors.

STATEMENT OF DAN JASPÁN, NATIONAL ASSOCIATION OF POSTAL SUPERVISORS

Mr. JASPÁN. Mr. Chairman and members of the subcommittee, my name is Daniel Jaspán. I am the legislative representative of the National Association of Postal Supervisors, comprised of more than 24,000 postal supervisors in the postal field service.

Our association strongly supports legislation to provide health insurance to Federal employees who have, or will have, retired prior to July of this year. When legislation was enacted granting health insurance to employees on the active rolls, the employees already retired were given an implied promise that they would be given immediate consideration in separate legislation. They had originally been included in the bills considered at that time.

This legislation would cover a group of dedicated and faithful employees who have given the best years of their lives to the Federal Government. Most of them were employed when the fringe benefits were much less than they now are. Many of them worked under conditions that were not conducive to good health. Their salaries

were less than present salaries. In many cases they were unable to afford treatment to keep them in good health.

It is a well-known fact that, as we age, our need of medical and hospital service increases rapidly. Those already retired often receive annuities that do not permit the annuitants to purchase health insurance policies as they need every cent for the necessities of life. Health and hospitalization policies, even when available are much too costly for this group of people.

This is the type of legislation that would constantly decrease in cost. Even the original cost is very little when we consider how necessary it is for these former employees to have this necessary protection. Every delay means that many of these people will be forced to try to find the money necessary for medical and hospital services. This is a continual source of worry to people with a limited income at a time when the cost of living continues to increase.

We hope that the Committee on Post Office and Civil Service will take action immediately and that the effective date of this legislation will be the earliest possible date that the protection can be made effective. An effective date of July 1, 1961, will mean that many of our older citizens will suffer unnecessary hardships. We hope that an earlier effective date can be arranged so that the protection can be given when it is needed most.

We appreciate the opportunity of appearing before this committee to express the views of the National Association of Postal Supervisors.

Thank you very much.

Mr. DAVIS. The next witness is Mr. Roy North, legislative representative, National Association of Postmasters.

**STATEMENT OF ROY M. NORTH, LEGISLATIVE REPRESENTATIVE,
NATIONAL ASSOCIATION OF POSTMASTERS OF THE UNITED
STATES**

Mr. NORTH. Mr. Chairman and members of the committee, my name is Roy M. North and I am legislative representative of the National Association of Postmasters of the United States.

Our membership is composed of more than 33,000 postmasters, or 94 percent of the total number of postmasters of the Nation. We take further pride in the fact that more than 90 percent of the postmasters in each of the four classes of offices are members of our association.

It is a pleasure to appear before you today in full support of the principles of S. 2575, "Retired Federal Employees Health Benefits Act of 1960," and the more than 70 related bills introduced by our friends, your colleagues, in the House of Representatives. As further evidence of our interest, I have with me the manager of our health insurance program, Charles D. Hertzog.

Also, please permit me to express the sincere regret of the president of our association, Hobart A. Wehking, postmaster, Cincinnati, Ohio; Charles E. Puskar, executive secretary-treasurer, postmaster, Imperial, Pa., and Lewis E. Moore, national legislative chairman, postmaster, Nashville, Tenn., in not being able to appear before you today, but they ask that I convey to you their fervent hope that an annuitant health insurance program will shortly be enacted into law.

S. 2575, now before you as passed by the Senate, will provide health benefits at a reasonable cost to more than 300,000 retirees, including thousands of former postmasters who have given many years of dedicated service to the Government. The related measures, in similar fashion, propose a health insurance program for these dedicated former employees who have retired or who retire prior to July 1960.

We want to express our appreciation, Mr. Chairman, for your prompt action in announcing hearings on this much needed legislation. This is yet another example of your favorable consideration of the needs of postal personnel which you have extended to us in the past. Likewise, we thank each member of your committee for their cooperation and support in the achievement of legislation which has meant much to the welfare of postmastters and postal personnel.

The Federal Employees Health Benefits Act of 1959 has been enacted into law and becomes effective at the beginning of the first pay period after July 1 of this year. This law, of course, takes care of active personnel and it is our opinion that health benefits for retired people should have gone hand-in-hand with the program for those now serving the Government. It is unfortunate that delay has ensued, causing much concern by postmasters and other postal personnel retiring prior to July 1960. Certainly, there can be no objection now to an annuitants health program.

S. 2575, provides a monthly contribution by the Government of \$2.70 minimum to \$3.80 maximum for the individual and \$6.50 to \$9.20 for the family plan. If the total subscription charge for the retired employee is twice the minimum, the Government will share 50 percent of such charge. It is our understanding that H.R. 12495 introduced by Representative Lesinski and H.R. 12506 by Representative Broyhill on June 2 and 3, 1960, more aptly reflect the thinking of the administration as to a workable health plan for retired personnel. These two bills are identical and provide Government contribution of \$3 to \$4 for the individual and twice these amounts for the family plan.

It is needless for us to attempt any detailed discussion of the different features and merits of S. 2575 and the two bills described. While somewhat different in the figures of contribution, either of the two plans, we believe, would be acceptable to retirees. Both proposed programs carry hospital, surgical, and catastrophic coverage for Federal employees who are no longer on the payroll but who have given many years of dedicated service to the Government.

We are sure that the Civil Service Commission can within a reasonable time prepare a program which will be acceptable to retired Federal personnel. The effective date should not be later than January 1, 1961.

The National Association of Postmasters strongly endorses health insurance benefits for retired personnel to become operative at the earliest possible date.

Again, Mr. Chairman, and members of the committee, thanks for the opportunity of testifying today on this legislation.

Mr. DAVIS. The next witness is Mr. Paul Nagle, president of the National Postal Transport Association.

I might state at this point if these names I have called and who have not responded wish to file a statement as part of the record, that permission will be granted, without objection.

**STATEMENT OF PAUL NAGLE, PRESIDENT, NATIONAL POSTAL
TRANSPORT ASSOCIATION**

Mr. NAGLE. I am Paul Nagle, president of the National Postal Transport Association, Mr. Chairman. Approximately one-quarter of our membership is comprised of people who would be eligible to benefit by S. 2575 or a similar bill if it were to be approved.

Mr. GROSS. How many did you say?

Mr. NAGLE. Approximately 25 percent of our membership. It is approximately 6,000, sir, retired people and who would be eligible to benefit by this legislation, if it were to be approved.

Accordingly, sir, I do appear in favor of S. 2575 and I hope that in any modification which may be developed, it will be possible to insure that the benefits of S. 2575 as passed by the Senate will substantially be retained.

I would hope, for example, that the plans available to retirees will not be overly restrictive in that they will have some choice. The previous witness said that there is no way of estimating the cost of the bill because we do not know how many retirees will elect to be covered. In our membership I feel that the election to be covered will be almost unanimous and I say this because we now are covered by a variety of plans which will almost entirely be eliminated on July 1, when the health plan for the active employees goes into effect.

We have had a number of instances arising in various parts of the country where we have learned that these people will no longer be eligible to participate at rates they can afford to pay in Blue Cross, for example, or in other local hospital plans.

The individual economic weight will be too great for the retirees to sustain and accordingly, I feel that the amendments which were made in S. 2575 at the time it was presented to the Senate in setting the date back from July 1, 1960, to January 1961, and the modification on the selection of plans should be the extent of the changes which are to be made and I would recommend very strongly on our membership that S. 2575 be approved by this committee.

Mr. DAVIS. Do you have any comment to make on the Lesinski bill?

Mr. NAGLE. We are concerned, Mr. Chairman, that the Lesinski bill may make the choice of plans overly narrow and that the actual benefit to the retirees as a result might be overly restrictive. We believe in short that one plan is not exactly desirable.

Mr. DAVIS. Are there any questions? If not, thank you for your statement, Mr. Nagle. If you would like to supplement it with a written statement to be filed, without objection, you may have that permission.

Mr. NAGLE. Thank you very much, Mr. Chairman. Thank you for allowing me to appear this morning.

Mr. DAVIS. Mr. Charles Larson, president, National Rural Letter Carriers' Association.

**STATEMENT OF CHARLES R. LARSON, PRESIDENT, NATIONAL
RURAL LETTER CARRIERS' ASSOCIATION**

Mr. LARSON. Mr. Chairman, the National Rural Letter Carriers' Association wishes to endorse this legislation. We do believe that there should be a limitation on the number of approved plans.

We are pleased to appear before this subcommittee and express our wholehearted endorsement of legislation to provide Government participation in a health insurance program for retired employees and their dependents. The desirability and the evident need for this legislation is not open to question. Our annuitants find themselves caught in a struggle to meet the ever-increasing costs of the necessities of life on a comparatively low income. The cost of medical care is rising faster than any other component of the cost-of-living index. According to the Labor Department's index, a component of the cost-of-living index, such expenses were 135.3 percent of the 1947-49 average level at the beginning of 1957, and at the close of 1959 they had zoomed to 153.2 percent. Further advances have come during the present year and increasing costs approximating 4 to 5 percent per year are predicted for the future.

Those who are retired and currently insured have found themselves, in most plans, hit with one round of premium increase after another. Many plans have increased premium rates 20 percent to 30 percent within the past year. These sharp increases have brought many problems to our retirees. Continuing insurance coverage is frequently impossible because of the cancellation provisions of many policies which result in denial of insurance protection following certain illnesses or due to attained age. Such persons of the older group cannot solve this difficult problem in that they are now considered uninsurable and cannot purchase protection against hospital and medical costs. This faithful group of former employees deserves treatment comparable to that which has been provided regular employees in the Federal Health Benefits Act of 1959.

Members of this subcommittee, and most Members of the House, are already quite familiar with the legislative proposal before you. For this reason, we will not belabor the issue by presenting long or detailed testimony. We trust the valuable information already on hand and the additional information which will be secured through these hearings may result in prompt and favorable action.

We do recommend that the committee carefully consider provisions relative to the number of plans which may be eligible to participate in offering this protection to those already on the retirement rolls. This group of insureds will not grow in numbers and thus, in our opinion, maximum possible stability of the program dictates that the number of groups participating be limited. We also believe that limiting the number of eligible plans will permit a better administrative handling of the program by the Civil Service Commission.

We would also recommend that the effective date be set no later than January 1, 1961. With the Bureau of Retirement and Insurance already organized and operating within the Civil Service Commission, and with the experience already gained in establishing the health program for regular employees, we do not believe that any problems relative to installing a program for retirees are of such magnitude that further delay would be necessary or warranted.

We urge this subcommittee to expedite action in order to assure that this important benefit for those on the retirement rolls may become a reality in this session of Congress. Mr. Chairman, we appreciate the opportunity of appearing before this subcommittee to express our views and give endorsement to this legislation.

Mr. DAVIS. Do you have any further comment to make with reference to a preference as between the two bills, the Senate bill and the Lesinski bill?

Mr. LARSON. In our opinion the Lesinski bill probably would provide the plan which would be most easily implemented.

Mr. DAVIS. Are there any questions of Mr. Larson?

Mr. SCOTT. While that might be the best plan, generally speaking, do you feel there should be a variety of choices?

Mr. LARSON. The legislation should provide an opportunity for the individual to make a selection if he so desires, or the selection that might be best suited to his particular case.

Mr. SCOTT. It would be hard to formulate one plan that would be satisfactory to all situations.

Mr. LARSON. The plan, as I understand it, would enable individuals to exercise their choice of plans.

Mr. DAVIS. Are you referring to the Lesinski bill or the Senate bill, S. 2575?

Mr. LARSON. To the Senate bill.

Mr. DAVIS. The Lesinski bill, as I understand it, narrows it down to one program. The Senate bill provides a choice between the 38 programs.

Mr. LARSON. I was mistaken in my statement, Mr. Chairman; we favor legislation which would enable the opportunity to exercise a choice of plans.

Mr. DAVIS. Are there any further questions?

Mr. SCOTT. No.

Mr. DAVIS. Thank you very much, Mr. Larson.

Mr. Bun Raley, legislative representative, National League of Postmasters.

STATEMENT OF BUN RALEY, LEGISLATIVE REPRESENTATIVE, NATIONAL LEAGUE OF POSTMASTERS OF THE UNITED STATES

Mr. RALEY. Mr. Chairman and members of the committee, my name is Bun Raley, former national president of the National Rural Letter Carriers' Association and presently legislative representative of the National League of Postmasters of the United States. I am appearing before the subcommittee in the absence of the national president, Mr. John Dudley, who is out of the city on convention assignments.

I am testifying in behalf of the National League of Postmasters, the oldest postmasters organization in the United States. This organization has faithfully represented the postmasters of the United States and its possessions for the past 56 years.

We are deeply grateful for the opportunity to appear before the committee to present our views on a health benefits insurance program for retired employees. Our organization feels this is a matter of vital importance and we appreciate the committee's decision to hold hearings on this subject.

The National League of Postmasters strongly supports a health benefits insurance program for retired employees. This legislation is designed to give persons who retired prior to the effective date of the Federal Employees Health Benefits Act of 1959 a somewhat

similar program on a comparable basis as will be enjoyed by employees who retire in the future. The National League of Postmasters is convinced a workable health benefits insurance program should be provided for those faithful retired employees, many of whom find they are not eligible for health insurance sold by private insurance companies.

A number of bills have been introduced on this subject to provide adequate health insurance for retired employees. Our organization feels this is legislation that the committee should study very carefully and report out a bill that will take care of the needs of the retired employees and one in the good judgment of the committee that can be enacted into law. The National League of Postmasters feels that this committee is sympathetic with this legislation. We are therefore willing to leave the final decision to the committee on the provision of the bill to be reported that will take care of the needs of the retired employees.

In conclusion, I wish to thank you, Mr. Chairman and members of the committee, for the opportunity of presenting our views on this vitally important legislation. We sincerely hope the committee will give the most earnest and sympathetic consideration to this legislation.

Mr. DAVIS. Mr. Ross Messer, legislative representative, National Association of Post Office and General Services Maintenance Employees.

**STATEMENT OF ROSS MESSER, LEGISLATIVE REPRESENTATIVE,
NATIONAL ASSOCIATION OF POST OFFICE AND GENERAL SERVICES MAINTENANCE EMPLOYEES**

Mr. MESSER. Thank you, Mr. Chairman. I do not have a prepared statement. I would like to place our organization on record as endorsing S. 2575, as it is our belief that the establishment of one plan might make the insurance prohibitive to some of the retired employees. We believe that they should have a choice.

However, the choice of 38 plans is quite a wide variety but we think that the limit of one plan is entirely too tight. We think that they should have a little more choice than just one plan.

Mr. DAVIS. The next witness is Mr. Everett G. Gibson, legislative director of the National Federation of Post Office Motor Vehicle Employees.

**STATEMENT OF EVERETT G. GIBSON, LEGISLATIVE DIRECTOR,
NATIONAL FEDERATION OF POST OFFICE MOTOR VEHICLE EMPLOYEES**

Mr. GIBSON. Mr. Chairman and members of the committee, my name is Everett G. Gibson. I am the legislative director of the National Federation of Post Office Motor Vehicle Employees, with offices at 412 Fifth Street NW., Washington 1, D.C., an organization composed of employees who are employed in the motor vehicle service of the Post Office Department. We are sincerely grateful for this opportunity to present our views on this important legislation now under consideration by this committee.

The National Federation of Post Office Motor Vehicle Employees endorses S. 2575 and related bills, that would provide health benefits to all Federal employees who are now on retirement. It is our sincere opinion, that these retired employees are in dire need of this protection and we hope that this committee will see fit to report out S. 2575 at an early date, so that it can be enacted upon during this 86th session of Congress.

Many of our retired employees now carry some type of hospitalization protection, but due to the small amount of their retirement pension, find it rather difficult to continue these benefits. If this legislation is enacted it will allow them protection when it is needed and help them maintain other needs from their small annuities.

Mr. Chairman, on behalf of the organization which I have the honor of representing, I want to thank you for allowing me to testify before your committee and to present our views on this legislation and support S. 2575 and I am confident that this committee will report out a bill that will give the health benefits to the retired Federal employees. Thank you.

Mr. DAVIS. Mr. E. C. Hallbeck, legislative director, National Federation of Post Office Clerks.

**STATEMENT OF E. C. HALLBECK, LEGISLATIVE DIRECTOR,
NATIONAL FEDERATION OF POST OFFICE CLERKS**

Mr. HALLBECK. Mr. Chairman and members of the subcommittee, I am E. C. Hallbeck, legislative director of the National Federation of Post Office Clerks with offices at 817 14th Street NW., Washington, D.C., and I am appearing this morning in support of the bill S. 2575, as passed by the Senate.

As a result of the enactment of the Federal Employees Health Benefits Act, it seems to me to be incumbent upon the Congress to enact further legislation providing similar benefits for former employees now on the civil service retirement rolls.

No one seriously disputes the need for such legislation. Every reason advanced for the enactment of legislation covering active employees is equally valid in the case of former employees who are now annuitants. In fact, it seems to me that there may be an even greater obligation—so far as the Federal Government is concerned—to make some contribution toward a health benefits program for retired employees because many of these people during the course of their active service were paid at a rate which precludes an annuity sufficient to allow them to purchase the kind of protection that they are so sorely in need of at this time.

To my mind, the enactment of the legislation passed by the Senate and now before this subcommittee would be at best a delayed benefit that annuitants earned in the course of their employment. Those who will benefit by this legislation are for the most part in an age group that makes it virtually impossible for them to purchase this sort of protection from their own funds. Their annuities in most cases do little more than keep body and soul together and the cost of individual protection is beyond their reach. Because of the benefits of a group rate, and with the Government sharing the cost, they should

be able with enactment of the bill S. 2575 to secure a reasonably adequate coverage at a cost which they probably can afford to pay.

The rate of hospitalization and illness is far greater among those past 65 years of age. In all too many instances illness for these people results either in a lack of adequate medical care, or, as is too often the case, they become a charge against the public welfare. Certainly the Federal Government has a moral and a social responsibility for action in this field.

I think it is evident that the trend in industry is to extend this form of protection to former employees. Virtually all hospitalization and health programs in private industry now provide for a continuation of benefits after retirement or pension and this, of course, is also true with respect to the legislation for active employees that will become effective next month. However, many private employers have extended the benefits to retirees and there is certainly ample justification for similar action on the part of the Federal Government.

While we believe that the bill in the form in which it passed the Senate is the most desirable, we do not rule out all other legislation on this subject as unworthy of consideration. Certainly there could be serious problems resulting from the multiple choice of carriers that is permitted under the Senate bill. Since the people involved are a "closed" group that can only diminish with the passage of time the problem of securing an adequate coverage should be considerably lessened if the legislation finally to be enacted provided only for one or at most two nationwide carriers. We realize also that the Bureau of Retirement and Insurance of the Civil Service Commission would have great difficulty putting any plan into effect by January 1 of next year. We believe, however, that arrangements could readily be made to place any program into effect in less than a year and suggest that if January 1, 1961, is found to be too early, July 1, 1961, might as readily be found to be too late.

We believe that H.R. 12495 by Congressman Lesinski is an excellent vehicle for effecting a workable compromise that will be satisfactory both to the administration and the people most concerned. We express to Congressman Lesinski our deep appreciation for his helpful action in introducing this measure and our sincere thanks to the chairman and the members of this subcommittee for the time and attention being given to this subject.

I hope that this subcommittee will speedily approve some legislation on this subject in order that the full committee can report the bill before adjournment.

Thank you.

Mr. DAVIS. The next witness is Mr. James K. Langan, operations director, Government Employee's Council—AFL-CIO.

**STATEMENT BY JAMES K. LANGAN, OPERATIONS DIRECTOR,
GOVERNMENT EMPLOYEES' COUNCIL—AFL-CIO**

Mr. LANGAN. Mr. Chairman and members of the subcommittee, the Government Employees' Council—AFL-CIO, whose membership is comprised of all of the postal, classified, and blue-collar workers who are affiliated with an AFL-CIO union, have for years strongly

supported a program of providing employment benefits corresponding to benefits consistent with accepted practices in industry, and morale incentives, designed to provide good labor management relations, and efforts for a high production of efficiency in their work.

One of the latest measures that was enacted into law in line with the above policy, and accepted practices in industry, was the passage of Public Law 86-382 which provided that employees of the Government have an opportunity to participate in a contributory health plan. This was to provide against possibility of an employee becoming completely demoralized through heavy financial responsibility caused by catastrophic or excessive medical requirements of the employee or his family.

This concept of the employee and the employer sharing the burden of the cost of these severe illnesses is now widely accepted by the American people, and in the acceptance of this principle it is becoming increasingly apparent that attention must also be given to those who have rendered long and faithful service in their employment and who are now retired. S. 2575, and related bills, introduced in the 86th Congress seek to provide health benefits to those on the rolls under the authority of the Civil Service Retirement Act. In originally providing health benefits there was a considerable amount of complexities and difficulties which had to be overcome, but it must be said to the credit of the legislative body, civil service officials, underwriters, and the employees they were finally able to resolve all differences by providing a program, effective July 1, 1960, that will assume the burden for the active Government employee, and this protection will continue after the employee has retired.

It is, therefore, incumbent on us at this time to provide a health program for those who are already on the retired rolls as a matter of duty toward those who have given long and faithful service to their Government, and in line with the programs that have existed and are increasing in private industry to expand employee benefits.

It might be argued that some difficulty will be encountered in getting a carrier to assume the guarantees, or that the provisions of S. 2575 will apply to a constantly reducing force. It may also be contended that there is a higher cost of liability for the elder people than there would be for the lower average age of the active employee. There is insufficient experience as yet to come up with definite actuarial figures. Certainly I do not believe that the cost of health insurance for the elderly man and wife, as a group, would be greater than the younger man with a wife and four children. In working out a program to implement legislation of this kind the Civil Service Commission should be able to set up a satisfactory program, to both the Government and the employee, with fewer problems than they experienced in the original setup of the active employee. Many of the hurdles and obstacles inherent have already been conquered.

Therefore, we recommend the approval of S. 2575 and hope that it will be approved by this subcommittee, passed by the House, and signed into law, providing for a much needed Government program.

Mr. DAVIS. The next witness is Mr. Joseph F. Thomas.

**STATEMENT OF JOSEPH F. THOMAS, PRESIDENT, UNITED
NATIONAL ASSOCIATION OF POST OFFICE CRAFTSMEN**

Mr. THOMAS. Mr. Chairman and members of the committee, my name is Joseph F. Thomas and I am president of the United National Association of Post Office Craftsmen, with offices in the Colorado Building, Washington, D.C.

I appear before you today to endorse S. 2575 and to urge you to act on that worthwhile bill just as soon as possible.

As you know, a health bill for Federal employees will go into effect in July of 1960. This law will provide good hospital coverage for employees, with the Federal Government paying a portion of the cost. This is a worthwhile benefit and employees are entitled to it.

Surely, however, retired employees need such help, even more than those presently employed. Retired employees have less income, they are in greater need of medical aid and they are less able to purchase adequate hospitalization than active employees.

I believe that a very good case has been made for hospitalization for all. I ask then that you consider this matter fully and act as promptly as possible on a health benefits plan for the loyal and needy Federal annuitants of this country.

I thank for for allowing me to appear before you today.

Mr. DAVIS. The next witness is Mr. John G. Brady.

**STATEMENT OF JOHN G. BRADY, CHAIRMAN OF THE COMMITTEE
ON LEGISLATION, NATIONAL ASSOCIATION OF INTERNAL REVE-
NUE EMPLOYEES**

Mr. BRADY. Mr. Chairman and members of the committee, I am John G. Brady, chairman of the committee on legislation. Our office is located at 711 14th Street NW., Washington, D.C. Our association of over 23,000 members strongly urges and recommends the enactment of a fair and equitable bill that would provide medical and hospital insurance for retired Federal employees.

The Senate has approved S. 2575.

Hospital, medical, and physicians' expenses are increasing rapidly. Our retired Federal employees are not financially able to carry any health insurance or if they do, it is grossly inadequate. Consequently, when illness strikes they are mired deep in the throes of economic bankruptcy. The Federal Government has a responsibility to attend to the welfare of its retired employees. We must protect them and their families.

It is true that the cost of covering this older age group might well run several times the cost of covering active employees, but one would be callous, indeed, to overlook the health needs of retired career Government employees. I do hope this committee will do everything within its power to make certain that coverage is provided for them.

We the members of the National Association of Internal Revenue Employees earnestly beg your support in the humanitarian cause.

I appreciate the opportunity to present this statement and thank the Chairman for his many courtesies.

Mr. DAVIS. This subcommittee session will be recessed until 10 a.m. Monday. At that time it is very probable that committee members would like to question in some detail representatives of these various retiree organizations and employee organizations about the detail of these plans. We would like to ask you to come back, if it is possible, on Monday morning at 10 o'clock and until that time, the subcommittee stands in recess.

(Whereupon, at 11 a.m., the subcommittee recessed, to reconvene at 10 a.m., Monday, June 20, 1960.)

HEALTH BENEFITS PROGRAM FOR CERTAIN RETIRED GOVERNMENT EMPLOYEES

MONDAY, JUNE 20, 1960

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE OF THE COMMITTEE ON
POST OFFICE AND CIVIL SERVICE,
Washington, D.C.

The subcommittee met, pursuant to recess, at 10 a.m. in room 215, House Office Building, Hon. James C. Davis (chairman of the subcommittee) presiding.

Mr. DAVIS. The subcommittee will come to order, please.

This is a continuation of the hearings on pending legislation for retirees' health benefits.

We had completed some of the hearing last week, and some of the witnesses have filed statements which have been made a part of the record. I understand Mr. Jerome Keating is here this morning and would like to be heard.

STATEMENT OF JEROME KEATING, VICE PRESIDENT, NATIONAL ASSOCIATION OF LETTER CARRIERS

Mr. KEATING. Mr. Chairman, I want to congratulate you and the members of the committee for holding these important hearings, and I sincerely hope we shall be able to get a bill out so legislation will be enacted before Congress adjourns.

There is a very real and serious need for this legislation. The retirees have a much greater incidence of illness. I shall not belabor that fact, which I think everyone knows. Health benefits are necessary for active employees; I think they are even more necessary for retired employees.

The Senate bill in some respects is a very fine bill. H.R. 12495, which has been introduced in the House, is better in one respect than the Senate bill in that it increases the amount of the contribution of the Government. I think it very important that the Government make a good contribution to the health benefits, because health benefits for retirees are extremely costly.

We have a limited group of people, all of advanced age. There will be no recruitment to the group at an earlier age. The purchase of proper health benefits will be quite expensive to the individual.

So the Government participation is most important, and I am pleased that H.R. 12495 increases slightly the contribution made by the Government.

However, there are a couple of things in H.R. 12495 which we do not like very well. No. 1, by limiting the health benefits to one governmentwide insurer——

Mr. GROSS. Will you please refer to the page of the bill which deals with that subject?

Mr. KEATING. This is rather general. I am referring to the underwriter. Under the proposed House bill there is only one underwriter to furnish the insurance unless the individuals have insurance, in which case they can continue their insurance. That is provided for on page 4 of the Lesinski bill. They can then continue their insurance under the hospital plan they have at the present time. In the Senate bill, all of the underwriters which have been approved in the active employees health benefit plan are approved for health benefits for the retirees. Others can be approved by action of the Civil Service Commission.

The point I am getting at is simply this: Under the provisions of the Senate bill, the people who furnish the health benefits and the plans that they furnish are scrutinized by the Commission; but in addition to that, where more than one carrier is furnishing plans, there is a competitive factor involved which makes for better plans. We found that out in the active employee program. Some 40 companies furnish health benefits. In every single instance the plan and program originally presented was improved by reason of the fact that the Civil Service Commission was in a position to insist on a better program.

Mr. DAVIS. Under the one underwriter scheme, the Government is not confined to dealing with just one company or negotiating with just one company. It can deal with half a dozen at the same time and select the one offering the best contract.

Mr. KEATING. You mean under the Senate program?

Mr. DAVIS. No; the House program.

Mr. KEATING. In the House program, yes, but there is only one plan.

Mr. DAVIS. They do not have to say "Yes" or "No" to the proposition of just one company. They can deal with several if they wish to.

Mr. KEATING. They can deal with several, but only one is selected.

Mr. DAVIS. That is where the competition comes in, is it not, when they are dealing with three or four preliminary to determining which one they will accept?

Mr. KEATING. The competition went further in the active employees program.

Mr. DAVIS. Go into that further. The impression I had was that they could deal with any number before they finally decided.

Mr. KEATING. The insurance industry worked together and Aetna was selected as the carrier. Of course, all the other companies are in on that business, too. Then Blue Cross was selected. That is where the competition was, together with these other various programs which were approved.

Mr. DAVIS. Was there any competition between Aetna and the other companies to put up the best plan?

Mr. KEATING. Yes; I presume there was a little competition, but I think that was limited. Even after Aetna was selected and after the Blue Cross was selected on the basis of general description, when they got into the specific details of the plan, then the plans were im-

proved by reason of the fact that the Civil Service Commission was able to insist on certain improvements. Blue Cross would give in and Aetna would give in, and the other companies all down the line. From the first draft that was presented, after they had been approved, mind you, every single plan was improved by virtue of further negotiation with the Commission. I think the competitive factor was the reason that made it possible to get those improvements.

Mr. GROSS. That is the reason the committee insisted on that.

Mr. KEATING. That is the reason the committee insisted on it.

Mr. DAVIS. Counsel wishes to make an observation here.

Mr. CHARLES E. JOHNSON (counsel). Thank you, Mr. Chairman.

Mr. Keating, this matter of competition is one of the key issues in both the active employees program and the retirees program. From the legal standpoint and from the business standpoint, is it not true that a large part of the value of true competition was lost in the active employees program because every one of these various types of carriers knew that it was going to get a share of the business?

Mr. KEATING. That is right.

Mr. JOHNSON. In the governmentwide indemnity program there was competition only among the indemnity carriers. They were not in direct competition with Blue Cross or with Group Health or with Permanente or with your program. They competed only with indemnity carriers and they knew that the indemnity carriers were going to get some business because the law says there must be an indemnity program.

Mr. KEATING. That is right.

Mr. JOHNSON. Is it not also true that the service carrier was only in competition with service carriers because they knew the law said, "You will get a program. You will get a contract." So we were left entirely to the ability of the Civil Service Commission to negotiate.

In comparison to that—

Mr. KEATING. If I may interrupt you for just a minute, in the case of the service plans there is no competition, because there is only one nationwide service program.

Mr. JOHNSON. Thank you for supporting my proposition. When people know they are going to get business, this removes the strongest factor in competition and weakens the case of the employees and the Government.

In sharp contrast, you have a true, open-competition situation in the Lesinski bill. There will be a single contract. Only one carrier is going to get this business. So the service carriers, the indemnity carriers, and any other nationwide organization—there are several—will be in direct competition with each other. I feel, and I think it true, that the Civil Service Commission will start off with a bigger stick written into the law to force a free market. Each carrier will have to submit its best bid. Then on top of that, the Commission will still have the same ability to negotiate with these companies that it has under the active employees program.

This is where you have your true competition and the best value from competition to keep prices down. It is far superior to the situation in the active employees program.

Mr. KEATING. After they accept that one company, then of course there is no competition left. That is it.

Mr. JOHNSON. Is not the same true when you accept the carrier's plan under the active employees program?

Mr. KEATING. No. There is still competition for business with each other. In order to get the business, they have to improve their program. In this program, after you select a carrier, then the competition is out.

Mr. JOHNSON. I do not quite agree with that, Mr. Keating, because each one of these retirees may also elect to retain his own existing program or to obtain another one.

Mr. KEATING. That is where the weakness comes in, retaining his own. The plans which are offered even by fairly substantial companies to people of advanced age, after 65 or after 60, are most unattractive. I would like to have been able to bring some of them in here and show you how limited the benefits are and how expensive they are, how totally inadequate they are in protecting the retirees. In that field we are a little bit concerned, because in the active program—

Mr. DAVIS. To what plan are you referring in the statement you just made?

Mr. KEATING. Many of these people who specialize in health benefits or hospitalization benefits for older people—

Mr. DAVIS. Are you talking about plans they sell on a private basis?

Mr. KEATING. That they sell commercially, yes; that is right. That is what they will be buying here.

Under the active employees health benefit plan, Mr. Chairman, the companies have to be approved by the Commission, but under this program they do not have to be approved. So some company writing down in Central America could sell insurance here. There is no requirement that they even have to be licensed.

Mr. GROSS. Under the Lesinski bill or both bills?

Mr. KEATING. Under the Lesinski bill.

Mr. DAVIS. Are you referring to where the retiree retains the contract he has or gets another one outside of the one which is accepted by the Commission?

Mr. KEATING. That is correct, Mr. Chairman. Much of the so-called casualty insurance is rather a hazardous business, and this is true of health benefits. You have two types of contracts. You have a limited-term contract or you have an open end contract. With the Commission in the other program or with the contract they would make here, they would have a definite term contract. Many of these health benefit programs are written on an open-end basis, and they can stop your premium at any time and drop you. That is the way some of them operate. If you stay in good health, they keep your health benefits in effect. But if you have an illness which costs them a little money, they drop you. All they have to do is serve notice that they are dropping you, and you are dropped.

Mr. DAVIS. Those are the private contracts.

Mr. KEATING. That is correct. But many of our people will be continuing that kind of program or even buying them. Those people get busy when they have a Government program.

Mr. DAVIS. If the Lesinski bill should be adopted, do you contemplate the contract under that would also be one they could drop at will?

Mr. KEATING. Not the Government program, but these other programs which they can participate in. Some of them can drop them at will. Some of them have a 1-year contract and some have what is termed an open-end contract.

Mr. GROSS. If the Civil Service Commission is brought into this thing as the approving agent, then I cannot see that the Civil Service Commission would permit that sort of thing.

Mr. KEATING. I do not think they require the approval of the Civil Service Commission. Here is where the danger lies. The individual can keep any contract he has at the present time or he can go out and buy a new contract privately. Under the provisions of this bill he would be allowed a little additional money to pay the Government's share of that. He would get that in his check, you see. But there is no screening of the companies. He can go to any company and get any kind of contract. I think there should be some protection in this program, both for the Government money which is being spent, and for what the individual himself is spending.

Mr. JOHNSON. There is a complete answer to that in the bill. We have an agreement and commitment from the Civil Service Commission, in the first place, that in the eventuality you point out, Mr. Keating, the Commission's regulations will provide for admission of any such retiree to the Commission-sponsored program if his prior contract is terminated. This has to be done for their protection.

There is a further factor. While the possibility is recognized that fly-by-night companies might write some of this individual coverage for retirees who might not be too well advised, the danger in foreclosing that right to buy or retain another contract would be greater, because there are many very valuable programs in various parts of the country which will admit retirees and which would be most beneficial. There are groups in certain areas—for example, the Permanente organization in California—which will cover these people, and it would be much to their advantage to have that Permanente contract if the clinical and medical facilities are suitable to them.

With this added protection, that the Commission will admit them to the Government-sponsored program if their other contractor throws them out, I think there is complete protection here.

This is one other factor which has not been pointed out before. Mr. Lesinski in preparing his bill did consider the possibility that retirees might buy undesirable contracts or deal with fly-by-nights, but with the Commission's agreement in their regulations to protect them so that they can come under the Government program if they lose their other insurance, I fail to see how they can be hurt.

Mr. DAVIS. Is Permanente a nationwide program?

Mr. JOHNSON. No, sir; it is not. It could not qualify for the Commission's program, but in California and Hawaii and one or two other places they have excellent facilities. With the provisions in the Lesinski bill permitting a retiree either to retain that program which he already has or to obtain it on an individual contract basis with the Government contributing part of the cost, every retiree has a chance to get what is best for him. If he makes a bad deal, if he is cheated and loses his coverage because of advanced age and illness, he can still come under the Commission's program.

MR. KEATING. Of course, that is like locking the barn door after the horse is stolen. He already has been taken for a ride before he can get it adjusted.

MR. JOHNSON. But where there are two equities, the superior equity has to prevail. It would be throwing out the baby with the bath water to foreclose the right to buy a separate contract and keep the retirees from making good contracts because a few might be ill advised and buy a bad contract.

MR. KEATING. We do not advocate that. Actually, many plans operate so the fellow would not be dropped but they charge high premiums and have very limited benefits. I have read some of those contracts.

For example, they limit the total miscellaneous benefit payments to \$100. They allow the man maybe 12 days' hospital benefits at \$12 or \$14 a day, but then when it comes to miscellaneous benefits—and miscellaneous benefits can run \$200 very easily today, especially on first admission—he is limited to a total of \$200. That individual pays a pretty high premium for a very poor benefit contract.

MR. DAVIS. What will they likely get under this one contract with the Government in the way of miscellaneous benefits and the number of days?

MR. KEATING. I do not know exactly what they will get.

MR. DAVIS. They will all be based on the premiums paid, will they not?

MR. KEATING. We are not worried about the Government contract. We are worried about the others. I believe the Commission—

MR. DAVIS. In order to get a thorough understanding of the entire picture, if there is any way to estimate what these benefits will be, there will not be any magic in any of it. It will all be a return for the money invested.

MR. KEATING. You get so much for so many dollars; that is right.

MR. DAVIS. Would there be any particular advantage in the Government contract over and above these private contracts?

MR. KEATING. The Government contract would probably be better than most of the private contracts. The individual who buys by himself—

MR. DAVIS. Could you make a guess as to how much better? For instance, where the private contract gives \$100 miscellaneous benefits, would the Government go as high as \$200, or where the private contract gives 12 days, would the Government give 24 days?

MR. KEATING. I think the Government contract would provide miscellaneous benefits, as they usually do, of 20 times the daily benefit, which is considerably more than many of these private plans which I have seen provide. Some of the private plans might have been benefits than the Government. But the thing which disturbs me is that it seems to me there ought to be some way of screening the companies before the Commission approves them. I think this general, blanket approval of everybody who writes health benefits is not good. In effect, that is what this is doing.

MR. DAVIS. I guess you considered that, did you not, Mr. Johnson, in your preliminary discussions? What was the objection to that?

MR. JOHNSON. The Civil Service Commission could not by any stretch of the imagination police all of the carriers or writers of

health benefit coverage, and it is unwilling to undertake the obligation of continuing 38 or 40 separate carriers as a Commission-sponsored program. I am confident that to bring those 38 or 40 carriers in and to require the Commission to ride herd on them for the rest of the time under this program would sound the death knell to this legislation. It is just too costly and they do not have the force to do it.

Also, it was felt that the protection in this case was so complete that to hold up the compromise agreement in order to protect the comparatively few individuals who would be so ill-advised as to buy a bad contract on the side would, in effect, be blocking the whole program for a few people. Requiring the Civil Service Commission to check with each 1 of 415,000 annuitants to make sure that he or she bought a good contract would create an administrative monstrosity.

Mr. KEATING. I know some of the most unscrupulous companies with the least benefits will become very active when this program is announced. Our retired people without proper advice or proper information—it is a rather complicated subject—will be the victims of some very poor contracts under this program. Perhaps there is no way to correct it. I certainly think we ought to see if we could not find some way of protecting the people from some of these promoters.

Mr. GROSS. Mr. Keating, there is a record of all retired employees in the Federal Government, is there not?

Mr. KEATING. That is right.

Mr. GROSS. Could these people not be put on notice of certain plans which are being prepared for them? Who has that record? The Civil Service Commission?

Mr. KEATING. The Commission would have. It seems to me that the least that should be done is a provision to require that the companies, before they are approved for payment, be licensed under 1 of the 50 different States. That is the least you could do. Certainly some protection is involved in that.

Mr. DAVIS. Is there any objection to that?

Mr. JOHNSON. I think that would be entirely satisfactory. Mr. Lawton is here from the Commission. Would you care to ask him his feeling on that?

Mr. DAVIS. Yes.

Mr. Lawton, would you care to make a statement on that? We would certainly be glad to have it.

STATEMENT OF DAVID F. LAWTON, DEPUTY DIRECTOR, BUREAU OF RETIREMENT AND INSURANCE, CIVIL SERVICE COMMISSION

Mr. LAWTON. Mr. Chairman and members of the committee, I think that furnishing this added protection would be a very good move. As far as the commercial companies who will be coming under this is concerned, this should be done. There should be a requirement that they be licensed in one of the 50 States or the District of Columbia. This would furnish good protection, I think, because every one of these companies would then be under the supervision of the State insurance commissioner.

Mr. GROSS. There is no international company selling this type of insurance, is there?

Mr. LAWTON. There very well may be some Canadian companies, sir. I am not familiar with any except in Canada which sell insurance in the United States.

Mr. KEATING. If they are a really responsible company from Canada and sell insurance, they are likely to be licensed.

Mr. LAWTON. That is very true.

Mr. KEATING. The outfit you have to worry about is the one which climbs under the tent.

Mr. LAWTON. Which cannot get a license anywhere; that is correct.

Mr. DAVIS. You would not think, then, there would be any State whose insurance department would issue a license to a company which really was not entitled to it?

Mr. LAWTON. I should not think so, sir.

Mr. CUNNINGHAM. Mr. Chairman, I can just visualize that will be a boobytrap for the retired Government employee who continues his health insurance with a private company and receives an increase in his check to allow him to continue that insurance with a private company of his choice. There are a lot of unscrupulous people who would come out with an ad that such-and-such insurance company is approved by the Federal Government. There are all kinds of gimmicks like that. I think we ought to have one plan. It would make it so much easier for the retirees to make up their minds. Even our active people have written to me, and quite a few of them complain that they are confused which plan they should take, why did they not have a sample policy, and so forth. Of course, that is hard for me to understand. It was perfectly clear to me. Here are people who are active in the Government, whose minds perhaps are more active, and they are griping because they cannot quite understand what we have done for them as far as the active people are concerned. Think of all the complications we shall have with the retirees and their trying to make up their minds. Every sharpshooter in the world will be out trying to sell them their insurance, saying that "The Government has approved us and will pay a certain amount of the premium." That is likely to give that company some dignity which it ought not to have or otherwise would not have.

The whole point of this is, I should think, it would be much simpler if we had one plan and did not recognize individual plans which are already in existence. We are trying to provide something for former Federal employees who cannot provide it for themselves. If they already have it, why should we come along and supplement the payments? I think if we had one plan and that was it, we would find it far more workable.

Mr. DAVIS. Will you yield for a statement by Mr. Johnson on that?

Mr. JOHNSON. Mr. Cunningham, one of the bases of the provision to retain or obtain other plans is to permit retirees who, for example, might be members of the plan of the National Association of Letter Carriers or the National Federation of Post Office Clerks—

Mr. CUNNINGHAM. Of course, they are good companies.

Mr. JOHNSON. This is the plan I think Mr. Keating has suggested. In addition to that, you could tie in to this bill the very good suggestion that any other carrier must be one approved by the insurance departments of the 50 States or the District of Columbia. This would require additional language to make sure it does not exclude the em-

ployee group plans which are already approved under the active program. The insurance commissioners ride pretty close watch on all of these companies. If they are approved by the State licensing commissions there is little likelihood of danger to the retirees.

Mr. CUNNINGHAM. I will have to disagree with you, because I have had some dealings with them and the laws of some States are not strict. In some States a fly-by-night operator easily could get a license. I am thinking of the fact that I know there will be some people in this business who will go out to the retirees and pressure them. They may have 3 or 4 different people calling on them, and they will be so mixed up they will not know whether they are coming or going.

All I want to do is to have a workable plan, and I can see great confusion confronting the retiree if the Government has a plan and then almost every other carrier in the country has a plan and starts campaigns on these retirees to sign them up in these private plans.

Mr. DAVIS. How many of these retirees are there at present?

Mr. LAWTON. There are 415,000, sir.

Mr. KEATING. Of course, that includes survivor annuitants.

Mr. LAWTON. Who would also be eligible?

Mr. GROSS. May I ask Mr. Lawton his reaction to the one plan or multiple plans.

Mr. LAWTON. Yes, sir. I shall be glad to speak on that point.

There is no question, I think, that it would be simpler for the annuitant and simpler for the Civil Service Commission in its administration of the program if there were just one Government-wide plan. But thinking of the interest of the individual annuitant, I believe most of those who are now in or are able to get into local plans, local Blue Cross-Blue Shield plans, local plans like Permanente, or Group Health here in town or HIP in New York City, would be far better off than they would be under the necessarily rather meager benefits—

Mr. DAVIS. Why would they be better off?

Mr. LAWTON. Because the rate to them and the scale of benefits to them would be based on the community rating concept where the whole community pays one rate and the annuitant gets the advantage of that rather than paying his full freight.

Mr. DAVIS. Under that proposition, has the retiree been required to undergo physical examination or does he come in with the group?

Mr. LAWTON. Many of them are now in plans which they have been in for a number of years. To them, this is no problem. In many other parts of the country they have annual or once every 18 months openings so anybody in the community can come in without physical examination. I would hate to see the advantage of that kind of coverage removed from this bill.

Mr. KEATING. There is one other advantage, Mr. Davis. The man who has a program that he took up about 15 years ago, you see, went in it when he was younger and has certain established benefits which he has maintained over the years in that program. The benefits that you get entering a new program are not likely to be as good.

Mr. LAWTON. This Government-wide program, if it is set up, will not be very rich as far as benefits are concerned, because this is, of course, a closed group. The rates will be based on the experience of that group. As the group gets older and makes more and more use

of medical and hospital facilities, the cost of carrying that group will mount continually. Either the costs must mount or the benefits must come still further down, perhaps both.

Mr. GROSS. Both you gentlemen would suggest a multiplicity of plans rather than one Government plan?

Mr. KEATING. I think you have to have that.

Mr. LAWTON. I think Mr. Keating's and my only difference, if we have a difference, is probably on the question of whether the Commission should be required to approve the plan of—this could be as many as 700 or 800 or 900 different carriers.

Mr. DAVIS. He has stated now that he thinks his objection would be taken care of by the provision that the policy should be issued only by someone who had been approved by at least one State insurance department.

Mr. KEATING. That would improve the situation considerably. There would still be some who have rather meager programs. I am a little bit more concerned about the people who are now retired who will take up plans in the future, than those who have them already, because some of those brochures are very elaborate but when you read the plan there is not much protection for the individual. Hospitalization costs for older people are just impossible. I do not know how some of these people pay their hospital bills. The costs are just tremendous. If they have a program with very limited benefits, it pays only a very small percentage of the actual costs.

Mr. DAVIS. There will never be any new additions to this figure of 415,000. It will be a constantly dwindling group.

Mr. LAWTON. That is correct.

Mr. DAVIS. As it dwindles, the costs are going to increase.

Mr. LAWTON. They are bound to.

Mr. KEATING. There is one other point I know the Commission will not agree with us on, and that is the effective date of July 1, 1961. I think it should be made effective before that time. I think the program ought to be put into effect in January. I have never seen an agency do as fine or as good a job as the Commission did on the health benefits program. That was a tremendous undertaking.

Mr. DAVIS. They certainly did a splendid job on it.

What is your principal objection, Mr. Lawton, to beginning it on January 1?

Mr. LAWTON. We would need to get in touch by mail with all of these over 400,000 annuitants and survivor annuitants 2 or 3 months in advance of the effective date and furnish them with the information that this kind of benefit is now available, what kind of choice they have, allow them time to make a selection, and get all the machinery in motion, which would mean that probably by October 1 at the latest we would have really to be ready to go. There just is not enough time. Mr. Keating and I have found that out in connection with the active employees program. We know what kind of time it takes.

Mr. KEATING. That is a longer program. I think July 1 is pretty far in the future.

Mr. DAVIS. Have you any suggestions as to how it could be done? You heard what Mr. Lawton says about it.

Mr. LAWTON. May I just say one more thing. In connection with the active employees program, we have had the excellent cooperation of all of the employing agencies in connection with informing employees, answering their questions, doing the mechanics of getting them registered, and so on. In this program we would not be able to call on agencies for that kind of help, because once an employee is retired, he severs his connection with the agency. All of this would have to be done by the Civil Service Commission by correspondence. That would be an even more time-consuming task.

Mr. GROSS. Of course, I realize the finance or fiscal situation. Would March 1 be a good compromise?

Mr. LAWTON. Splitting the difference is always one way of compromising.

Mr. GROSS. Would it pose difficulties from the fiscal standpoint?

Mr. LAWTON. I am afraid it would, because that would mean that Government moneys for fiscal year 1961 would be required, whereas with a July 1, 1961, effective date, the money would come out of the following fiscal year.

Mr. KEATING. There is one factor which I think should be taken into consideration. When the Commission undertook the active employees program, only a few people over there knew much about hospitalization. Mr. Lawton did, because he had been working in the program legislatively. There are probably just a very limited number. They had to train many people in the concepts of health benefits. It was a tremendous program. These people had to learn all that before things could get underway.

By virtue of the active employees program, they have acquired much experience. That very substantial training which was necessary will not be necessary with this program.

I think it could go into effect earlier. I think the March 1 date is a good suggestion. While it is true it will take some money, 4 months out of the same fiscal year, it seems to me outweighing the fiscal problem is the fact that these people need the benefits so much, many of whom will be sick and die in that 4-month period. I think we should give a little greater weight to the needs of those people than we do to the fact that it interferes slightly with the fiscal program.

Mr. DAVIS. Of course, as the occasion arises, things of this nature sometimes are provided for in supplemental appropriation bills.

Mr. KEATING. That is correct.

Mr. DAVIS. Do you see any reason why that could not be done in this case if the March 1 date should be fixed?

Mr. KEATING. No, I do not.

Mr. DAVIS. Do you, Mr. Lawton?

Mr. LAWTON. Sir, I am not competent to comment on fiscal matters.

Mr. DAVIS. What I meant to ask you was this: Does any objection occur to you why that would not be feasible if that date were fixed?

Mr. LAWTON. When Mr. Gross mentioned the effective date of March 1, I was not thinking very fast. That would be only 2 months later than January 1, really, and I do not think the additional 2 months would be enough time for us to get geared up. I honestly do not.

Mr. DAVIS. Would April 1 help it any?

Mr. LAWTON. I think it would, sir, by another 30 days.

Mr. BROYHILL. How about June 30?

Mr. LAWTON. If this legislation were to be enacted, we would very much prefer to have it effective July 1.

Mr. BROYHILL. Mr. Keating, how many members of your association are retired?

Mr. KEATING. We have about 15,000.

Mr. BROYHILL. The thing that intrigues me a little bit here is that the National Association of Retired Civil Employees has 100,000 members and, as I understand, they are supporting the Lesinski bill as a compromise. They said this was an acceptable compromise they could live with. I wonder why there is such a big difference between you and your group and Mr. Wilson's group.

Mr. KEATING. I think there is probably not a big difference. I do not think Mr. Wilson would disagree with anything I said this morning. If you put an earlier date in here and put that further protection for the retirees, I think it would satisfy us and I think it would please him greatly. I think he would support both of those suggestions. Isn't that true?

Mr. WILSON. That is true.

Mr. KEATING. He agrees with that.

Mr. BROYHILL. I would not question that. I know the support of the Lesinski bill was a compromise on his part, but the reason for the compromise, as I understood, is in hopes of possibly getting some legislation through. I think the July 1 deadline was one of the major points of compromise due to the time it would take the Civil Service Commission to put it in effect, as well as the fiscal situation. That is a question of maybe helping to assure the legislation being enacted into law or jeopardizing its chances of passage.

Mr. KEATING. I think generally the retirees would be very unhappy with the July 1 date. Of course, they had hoped originally to have it the same date as the active employees, which is July 1 this year.

Mr. BROYHILL. Unhappy? You mean they would not accept it? They do not have any health program now.

Mr. KEATING. They will accept any legislation which is passed, but I do think the date ought to be earlier than July 1.

Mr. BROYHILL. I agree the date should be as soon as possible. This is strictly in the form of a compromise, give and take, in the hope of getting legislation through.

Mr. KEATING. I think they should make it April 1. I realize they have some very real problems in the Civil Service Commission. I think I probably realize as well as anybody the terrific load which was placed on the Commission by this hospitalization program.

Mr. BROYHILL. You also realize about comprising, too, do you not?

Mr. KEATING. Yes.

Mr. DAVIS. Had you concluded what you wished to say, Mr. Lawton?

Mr. LAWTON. I would like to say just one thing more. It would be very difficult indeed to get geared up to make the program effective earlier than July 1. I am not saying it could not be done, but I think we would do a better job if it were July 1.

Mr. KEATING. I have more confidence in their skill than Mr. Lawton has.

Mr. DAVIS. Have you anything further, Mr. Keating?

Mr. KEATING. That concludes my testimony. We appreciate having this opportunity of appearing. This is a very fine bill, and I surely hope it passes.

Mr. GROSS. You are speaking now of the Lesinski bill?

Mr. KEATING. I am talking about the general legislation. I think the Lesinski bill with those two amendments would be very acceptable.

Mr. GROSS. That is the question I wanted to ask. Thank you.

Mr. DAVIS. There would not be any such thing as your taking a leave of absence to go over with the Civil Service Commission and put this over by the date you speak of?

Mr. KEATING. We would go over and do everything we could to help them.

Mr. DAVIS. I mean quit what you are doing and go over there and take this over.

Mr. KEATING. I think they have become so skillful over there in that program, they would not want anybody as clumsy as me around there.

Mr. LAWTON. Mr. Chairman, we would be delighted to have him.

Mr. DAVIS. Any further questions, gentlemen?

Thank you very much, Mr. Keating.

Mr. KEATING. Thank you, Mr. Chairman.

STATEMENT OF FRANK WILSON, PRESIDENT, AND JOHN J. MADIGAN, SECRETARY, NATIONAL ASSOCIATION OF RETIRED CIVIL EMPLOYEES—Resumed

Mr. DAVIS. We asked Mr. Wilson to come back.

Have you anything further you wish to say now in addition to your earlier statement?

Mr. WILSON. There is one additional point I would emphasize, and that is that we would be very happy and we feel that the Civil Service Commission could administratively handle this proposition and make the effective date much earlier than July 1, 1961. There will be a lot of deaths in the meantime.

Mr. DAVIS. I know you want it, and as far as I am concerned, and I think as far as everybody else is concerned, including the Civil Service Commission, we would like to start it tomorrow if it were possible. But do you think it possible under the circumstances, from what you have just heard Mr. Lawton say?

Mr. WILSON. Yes, sir, I think it is possible.

Mr. DAVIS. How do you think it could be done?

Mr. WILSON. I reiterate what our friend, Mr. Jerome Keating, stated: That the Civil Service Commission now have trained personnel who can work on this. This will cover approximately 415,000. They have just handled very efficiently a problem concerning about 2 million people.

Mr. DAVIS. But you heard what he said. Of course, as I said, all of us want this done as quickly as possible, but there are some very hard and realistic facts involved. To have it any quicker, you must have solutions to these problems.

You heard what Mr. Lawton said about it. He said it is practically a physical impossibility to do it any more quickly than he has suggested. You just referred to the more than 2 million active em-

ployees. He said they are all employed by the Government, and he had the benefit of the cooperation and help of each agency with which the employees are connected, who did much work that they will not have the benefit of in the retirees program. What is your answer to that?

Mr. WILSON. My answer to that is that with this 415,000 it could be handled through circular letters and correspondence. I think of our own experience where we had a problem such as this that we put into effect about 3 years ago with our members. We did not find it administratively impossible to put it into effect promptly. It was put into effect within about 2 months after it was announced.

Mr. DAVIS. Your solution for it, then, is that it could be handled by sending out circular letters?

Mr. WILSON. Partly, yes, sir; to a great degree.

Mr. DAVIS. What else?

Mr. WILSON. It might have to have a personal letter from time to time, but to the greatest degree it can be handled through circular letters.

Mr. HARMON. Mr. Chairman.

Mr. DAVIS. Mr. Harmon.

Mr. HARMON. You have a great organization here with your retired civil employees. I think Mr. Keating represents the letter carriers, they all have organizations back home, they have all contacted me. I think with their help and telling the people the story, this could be expedited. All these people are on the mailing list, they get a check every month. They could fix up a brochure where they would know what is coming. I am of the opinion it could be done January 1.

Mr. WILSON. The various organizations, of course, have wide contacts with their retirees, and they have their newsletters and magazines and other methods. They could cooperate to a very high degree in expediting this.

Mr. DAVIS. Where is this list kept to whom the checks are sent each month? Is that in the Treasury Department or in the Civil Service Commission?

Mr. WILSON. The checks are sent out by the Disbursing Office of the Treasury Department. The master list is there, and I assume there is a duplicate in the office of the Civil Service Commission. They have a master Addressograph list in the Treasury Department that could be utilized to very great advantage.

Mr. GROSS. Mr. Lawton, is that list freely available to you?

Mr. LAWTON. Oh, yes.

Mr. HARMON. Mr. Chairman.

Mr. DAVIS. Mr. Harmon.

Mr. HARMON. I want to make another statement. Every retired person is interested in this, each and every one of them, widows, survivors, they are all interested. They are all faced with the same problem, hospitalization or medical care. They are quite interested. Anything that would be sent to them they will read. If they do not understand it, they will go to each group in this city or town or county and talk about it. They wanted it when the active plan went in. They have talked about it even since, have been writing to me and to other Congressmen and to you people. I think it can

be expedited, and we should try to make it January 1 or as quickly thereafter as possible.

Mr. WILSON. The local groups can expedite this and help to educate and inform the various retirees. We have 757 chapters spread all over the United States, they have monthly meetings, and at these meetings this has been discussed time and time again, up to the present time. When a definite proposition is made, it will be discussed further, and they can get valuable advice and information in that way.

Mr. BROYHILL. Will the gentleman yield?

Mr. HARMON. Yes.

Mr. BROYHILL. You have been trying for quite some time to get a list of all retired employees and the Civil Service Commission has refused to let you have it; is that correct?

Mr. WILSON. Yes, sir.

Mr. BROYHILL. This might be an excellent opportunity to bargain with the Civil Service Commission. If they give you that list, you would assist them in contacting these employees; is that right?

Mr. WILSON. Thank you for the suggestion. We would cooperate to the greatest extent possible.

Mr. BROYHILL. It would expedite this thing and get it in effect sooner?

Mr. WILSON. For the great benefit of the civil service retirees.

Mr. GROSS. I can think of some Members of Congress who might like to have the list, too. I am afraid there would not be anything sacred about that list if it went too far. I believe in expediting this thing, but I want any expedition only if the job is done right. I would much prefer to take just a little more time and have the job done right than to speed it to the point where it would not be done right. I think you agree with that.

Mr. WILSON. Absolutely.

Mr. DAVIS. As between these two bills, the Senate bill and the House bill, the Lesinski bill, what is the attitude of NARCE?

Mr. WILSON. The attitude of NARCE is in favor of the Lesinski bill. However, we are in hopes that it can be modified to a certain degree so as to make the effective date earlier.

Mr. DAVIS. Give us your reasons, if you are in position to do so, as to why you prefer the House bill.

Mr. WILSON. We prefer the House bill for one important reason. It is more acceptable to the U.S. Civil Service Commission. We worked with the House staff and with Congressman Lesinski in preparing the bill. We are in favor of this first and most importantly because it is a bill that they studied and they figured was administratively possible. We are for it for that reason. That is the principal reason we are for it.

Mr. DAVIS. You heard the discussion here this morning between the subcommittee and other witnesses as to the proposition of letting retirees retain their individual contracts or group contracts of which they are already members or of taking out new contracts. What is your attitude on that?

Mr. WILSON. Our attitude in that connection is we would endorse the suggestion made this morning that they be allowed to do so but a specification be made that the company that they are doing business with must be licensed in the State where they are doing business.

Mr. BROYHILL. Mr. Chairman.

Mr. DAVIS. Mr. Broyhill.

Mr. BROYHILL. Mr. Wilson, you have a health insurance program, do you not, the National Association of Retired Civil Employees?

Mr. WILSON. Yes, sir.

Mr. BROYHILL. With the advent of the active employees insurance plan, is that jeopardizing your own organizational insurance structure?

Mr. WILSON. It would jeopardize our policy if the people now covered would not be permitted to continue in it.

Mr. DAVIS. Give us a little rundown on your plan that you now have in effect.

Mr. WILSON. We have a plan that is underwritten by the Continental Casualty Co. of Chicago, one of the biggest in the country. We have had it about 3 years now. Three years ago when we made this contract it provided for benefits for 31 days at \$10 a day, and \$120 miscellaneous benefits.

Since then the experience has been so favorable that we negotiated new rates. We had a gentleman's agreement with them at the time we made the contract that, if the experience was favorable, we would get new rates or increased benefits. After 2 years, they increased the benefits from \$10 a day to \$13 a day for 31 days, and they increased the miscellaneous benefits from \$120 to \$130 a year. The rate of premium is \$6 per month.

Mr. DAVIS. The premium is \$6 a month or \$72 a year?

Mr. WILSON. Yes, sir.

Mr. DAVIS. Can the company cancel that out at will?

Mr. WILSON. No; it cannot. There is no medical examination required.

Mr. DAVIS. What is the provision for cancellation?

Mr. WILSON. The company can, under certain conditions—failure to pay dues. The company may also increase the premium if the experience so demonstrates.

Mr. DAVIS. Is it a year-by-year contract or can you keep it in force indefinitely?

Mr. WILSON. Yes, sir.

Mr. DAVIS. It is a year-by-year contract?

Mr. WILSON. It is.

Mr. DAVIS. Where they could, if they saw fit, cancel it out at the expiration of any 1-year period?

Mr. WILSON. They could under certain conditions cancel the entire group policy. They could not cancel my coverage or they could not cancel the coverage of any individual.

Mr. DAVIS. But they could cancel out their entire contract at the expiration of any 1-year period under certain conditions?

Mr. WILSON. Yes, sir.

Mr. DAVIS. What are those conditions?

Mr. WILSON. The conditions are primarily if their experience is not satisfactory.

Mr. BROYHILL. I did not get an answer to my question, Mr. Wilson, or rather, I did not get a satisfactory answer. It is not clear to me.

Prior to the enactment of the health insurance program for active

employees—you have new people coming into your health insurance program every year; is that right?

Mr. WILSON. Yes, sir.

Mr. BROYHILL. Did that not have some effect on your rate, the fact that your average age possibly of your membership remained somewhat the same?

Mr. WILSON. That is correct.

Mr. BROYHILL. Membership in the health insurance program. In the future, with the employees who retire in the future having a Government health insurance program, will that not make the average age of the people under your health insurance program older and older?

Mr. WILSON. The average age will increase because we will not have any reservoir of new members. We will not be able to enlist new members.

Mr. BROYHILL. Then, that is jeopardizing your insurance program, is it not? Will that not call for cancellation or for the raising of rates?

Mr. WILSON. In our insurance program we have a large number of retirees who will not be covered by this legislation we are considering this month. Why? Because they have not had 12 years of Government service, but they are being protected now and they will continue to be protected if our company is still in business.

However, if the Continental Casualty Co. would have to cancel this because of certain conditions, then they would not have any protection whatsoever.

Mr. BROYHILL. If this legislation becomes law, do you contemplate bringing your membership under this plan—I mean through your own health insurance program?

Mr. WILSON. We do, sir.

Mr. BROYHILL. Even then the premiums will get increasingly larger, will they not?

Mr. WILSON. They may. We do not know what is going to happen about that.

Mr. BROYHILL. Would you think it would help the actuarial soundness of your program to have this legislation added to it?

Mr. WILSON. We do, sir.

Mr. DAVIS. Are there any further questions? Did you or your associates have anything further you wanted to add?

Mr. MADIGAN. I think it might be of interest, Mr. Chairman, to state that as of now there are approximately 55,000 participants in the NARCE hospital-surgical plan. That is broken down into 27,000 who have it simply for themselves—either the man or the spouse—and another 14,000 who have coverage for self and spouse. In other words, 28,000 added to the 27,000.

There are a great number who have been contacting us with considerable concern because of the situation which Mr. Wilson mentioned a moment ago, where is that because of a period of Federal service less than the minimum required, the 12 years, these folks in advanced age brackets would find it impossible for economic, if for no other reasons, to get coverage on an individual basis.

Our experience, as Mr. Wilson has stated, was so good that a year ago last spring we negotiated with the Continental Casualty Co. to improve the benefits and to maintain the same monthly premium.

The experience of the participants in this plan has been excellent. There has been a minimum of questioning of the claims filed. The organization has had almost unanimous compliments on the speed with which the claims were settled, sometimes within a day or two. It has proved to be a very great boon to these older folks. It is something that the association worked very hard on for a couple of years before they finally were able to negotiate an arrangement such as this because of the lack of experience which would demonstrate how hazardous it was to give coverage to these older folks.

Mr. DAVIS. Are there any questions of Mr. Madigan?

Mr. CUNNINGHAM. Did you have any competition in selecting Continental Casualty?

Mr. MADIGAN. Indeed we did, Mr. Cunningham. There was a great deal of interest in the business when it was proposed. Much of that went on before I became affiliated with the association, but definitely there were at least, I would say, a half dozen big organizations seeking the business, especially after it began to shape up. There were some pioneers in this field—the New York State Retired Teachers and National Retired Teachers. Ours is probably the largest group they had to deal with. As I said earlier, the experience in the first 2 years—we were a little apprehensive as to what the first year might be because folks who had necessarily delayed surgery and other hospitalization might affect it, but it was proved to the satisfaction of the company that it was good business, as evidenced by their willingness to adjust the rates.

I might say in passing that the first proposal they made was a mere extension of the number of days that would be allowed. In other words, they were willing to up it from 31 to as much as 45. But some inquiry disclosed that the average stay in the hospital was very much less than the 31 days, so that the apparent improvement in the coverage from 31 to 45 days was really nothing but window dressing.

We decided what our people needed was as many more dollars per day as they could get for the time they were necessarily confined to the hospital.

Mr. CUNNINGHAM. You are taking very good care of your people. Thank you.

Mr. DAVIS. Mr. Johnson.

Mr. JOHNSON. There was one statement in Mr. Madigan's presentation that I believe would have a bearing on the estimated cost of the Lesinski bill. Am I correct in my understanding of your statement that approximately 55,000 employees retired are in the program, and that 27,000 are enrolled for self alone?

Mr. MADIGAN. That is correct.

Mr. JOHNSON. Would it be your opinion that this proportion, approximately 49 to 50 percent, being enrolled for self alone would extend to the entire body of 415,000 retirees and survivors, who will be eligible under the Lesinski bill? In other words, do you feel that almost half of them would enroll for self alone?

Mr. MADIGAN. I am not in position to answer that question, Mr. Johnson. I can say that many of those who have single coverage have provided it for the spouse because the member has certain hos-

pital privileges through having been in the military service, has access to Veterans' Administration hospitals, or others.

Then in some cases there are those who apparently thought that the spouse was possibly a greater hazard and covered the good woman instead of himself. I have no way of even guesstimating whether that would be a good sampling of the entire group that would be involved.

Mr. JOHNSON. Do you have any figures indicating how many of your entire membership of approximately 100,000 are single or widowed?

Mr. MADIGAN. No, we do not have any.

Mr. JOHNSON. The further question I would like to propound is this: On the basis of your experience with your own people, what would be your estimate of the cost if the Lesinski bill were enacted into law?

Mr. WILSON. Our estimate of the cost on 415,000 eligibles—we figure the cost based on the experience of New York State. They have put in a similar proposition about 3 years ago. They found that 54 percent took advantage of it, elected to take advantage of it. Of that 54 percent, about one-third of them covered their wives or families. So that on that basis, for 54 percent of 415,000 it made 224,100 participants. One-third of the participants buying protection for the spouse or family made 74,700 additional to be covered, or a total of 298,800.

At \$36 per year, the minimum contribution of the Government, the cost will be about \$10,756,000 for the first year. At \$48 per year, the maximum contribution of the Government, the cost will be about \$14,342,000 for the first year.

Mr. JOHNSON. Thank you very much, Mr. Wilson and Mr. Madigan. In other words, based on the only reliable experience of a similar group, your figures demonstrate that the cost to be expected for the first year under the Lesinski bill would be roughly in the neighborhood of \$11 million to \$15 million?

Mr. WILSON. That is correct. However, there is one factor that was not taken into consideration in that estimate, and that is the fact that there are going to be quite a large number—several thousand—deaths between now and the date the bill will go into effect and there will be several thousand deaths during the period of 12 months. That will reduce this estimate by a considerable amount. Not only deaths, but there will be remarriage of widows. When a widow remarries, she no longer has protection. That will reduce it.

Mr. BROYHILL. Does the staff or the Civil Service Commission have an estimate on the Lesinski bill?

Mr. JOHNSON. Mr. Jones testified the other day that the estimated cost for the first year was between \$15 million and \$25 million.

Mr. BROYHILL. That has been the estimate on the Senate bill?

Mr. JOHNSON. I believe the estimated cost of the Senate bill was between \$15 million and \$22 million for the first year. That was submitted some months ago. On a current basis, the Commission estimates \$15 million to \$25 million as the first year cost for the Lesinski bill. The Government contribution is just a little better under the Lesinski bill than under the Senate-passed bill, as Mr. Keating pointed out.

Mr. BROYHILL. I wonder why the difference between Mr. Wilson's estimate and the Civil Service Commission estimate. Somebody is wrong.

Mr. JOHNSON. It may be somewhere in between.

Mr. DAVIS. Is there anything further either of you gentlemen would like to offer?

Mr. WILSON. No. Thank you, Mr. Chairman, and I thank the members of the committee for their courteous hearing that they have accorded us.

Mr. BROYHILL. May I make one more observation. Regardless of the estimate, whether the \$14 million or \$25 million, it is a far cry from the \$600 million estimate the administration has for its program to bring all people over 65 years of age into a nationwide health insurance program.

Mr. WILSON. Yes, sir.

Mr. DAVIS. I will insert in the record at this point a letter from the American Medical Association and a statement of the Group Health Association of America.

(The letter and statement follow:)

AMERICAN MEDICAL ASSOCIATION,
Chicago, Ill., June 20, 1960,

Hon. TOM MURRAY,

Chairman, Post Office and Civil Service Committee, House of Representatives,
Washington, D.C.

DEAR MR. CHAIRMAN: On July 21, 1959, I submitted to you the position and recommendations of the American Medical Association with respect to S. 2162, 86th Congress. At that time, among our recommendations was the suggestion that S. 2162 be amended so as to include persons who retire prior to July 1, 1960, the effective date of the Federal Employees Health Benefits Act.

In connection with the current hearings on S. 2575 by a subcommittee of your committee, I would like to reiterate our position in this regard and to express the support of the American Medical Association for that portion of S. 2575 that would accomplish this purpose. We sincerely believe that participation by the Federal Government as an employer with the already retired Federal employee in a voluntary and contributory program is desirable.

I will appreciate your arranging this letter being made a part of the record of the hearings.

Sincerely yours,

F. J. L. BLASINGAME, M.D.

STATEMENT OF GROUP HEALTH ASSOCIATION OF AMERICA

The Group Health Association of America heartily supports the purposes and aims of H.R. 12495 and similar bills. In view of the enactment of the Federal Employees Health Benefits Act of 1959, it is no more than a matter of justice to make provision in similar general fashion for Government employees already retired.

Our organization has studied H.R. 12495 and also S. 2575 and hopes the committee will consider and compare both these measures in arriving at a final draft. We hope that draft will be favorably reported by the committee to the House of Representatives.

We have a few brief comments to make.

First of all, we do not believe it practical to allow unlimited discretion to retired employees in the choice of plan for their enrollment. Instead, the provisions of the Senate bill which require approval of such plans by the Civil Service Commission would appear to us to be safer for the beneficiaries and far simpler to administer. We do believe of course that a choice of plan should be provided, as it is in both bills. But we doubt it should be an unlimited one or one that could include a plan not found to be satisfactory by the Commission

On this same point, we believe that the section of the legislation dealing with administration should empower the Commission to set minimum standards for approval of carriers. The Senate bill contains such a provision.

The amounts of Government contributions appear to be within the range of practicability, and we have no special comment respecting them. We do, however, wish to endorse wholeheartedly the provision for withholding from annuity and compensation checks of the amounts necessary, in addition to the Government contribution, to pay the total charges for enrollment.

In the recital of benefits to be included in the definition of a "Health Benefits Plan" (sec. 2b), it is a serious omission to leave out nursing home care, and care in the enrollee's own home. For older people, this type of care may be very important indeed.

It appears to us also that the legislation should carry provision for transfer by retired employees from one approved carrier to another. Particularly might this be necessary in the case of persons moving from one community to another.

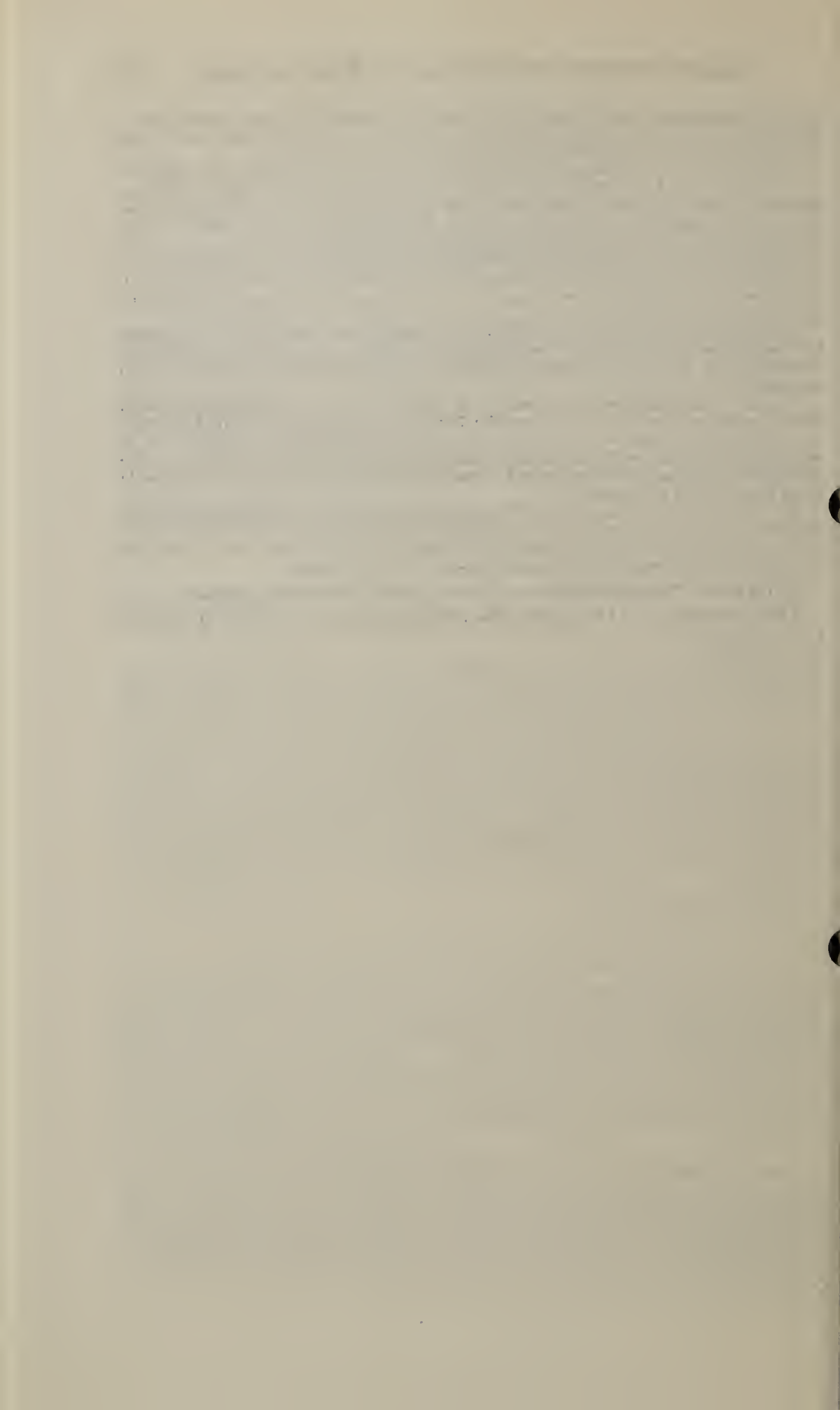
Finally, it is suggested that there be written into the bill suitable provisions which would enable and encourage the formation of groups of retired employees to purchase insurance or to enroll in direct service health plans. It is recognized that this will not be as easily accomplished as in the case of active employees, but the advantages and economies of group action where feasible seem too great to be neglected.

We hope that the committee will carefully consider our comments and suggestions for improvement of the legislation. And we hope that the final form of the bill will be reported to the House with recommendation that it do pass and that it will be enacted into law at this session of Congress.

Mr. DAVIS. The committee will now go into executive session.

(Whereupon, at 11:25 a.m., the subcommittee proceeded in executive session.)

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HEALTH BENEFITS PROGRAM FOR CERTAIN RETIRED FEDERAL EMPLOYEES

HEARING
BEFORE THE
SUBCOMMITTEE ON INSURANCE
OF THE
COMMITTEE ON
POST OFFICE AND CIVIL SERVICE
UNITED STATES SENATE
EIGHTY-SIXTH CONGRESS
FIRST SESSION
ON
S. 2575



A BILL TO PROVIDE A HEALTH BENEFITS PROGRAM FOR
CERTAIN RETIRED EMPLOYEES OF THE GOVERNMENT

SEPTEMBER 2, 1959

Printed for the use of the Committee on Post Office and Civil Service



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HEALTH BENEFITS PROGRAM FOR CERTAIN RETIRED FEDERAL EMPLOYEES

WEDNESDAY, SEPTEMBER 2, 1959

U.S. SENATE,
COMMITTEE ON POST OFFICE AND CIVIL SERVICE,
SUBCOMMITTEE ON INSURANCE,
Washington, D.C.

The subcommittee met at 9:40 a.m., pursuant to notice, Senator Richard L. Neuberger (chairman of the subcommittee) presiding.

Present: Senators Neuberger, Jordan, Yarborough, and Carlson.

Also present: H. W. Brawley, executive director; J. Don Kerlin, assistant staff director; Frank A. Paschal, minority professional staff member; and Walter Dodd, assistant to Senator Neuberger.

Senator NEUBERGER. The subcommittee will please come to order.

I have a very brief statement, and we will open then with the first witness.

These hearings are on S. 2575, to provide a health benefits program for certain retired employees of the Government. This bill would provide health coverage for approximately 260,000 retired Federal employees, Federal employees disabled while in service, and their spouses and minor children. This legislation provides health coverage for career retired civil employees on the same basis that active employees and those who will retire after June 30, 1960, are covered in the Federal Employee Health Benefits Act of 1959.

The full text of the bill will be included in the transcript of the hearing immediately following my remarks.

S. 2575 was introduced on August 21 by myself and cosponsored by 24 other Senators, including a bipartisan majority of our Health Insurance Subcommittee and the Senate Post Office and Civil Service Committee.

It is my earnest hope that this legislation can be promptly enacted into law so that health coverage for retired civil Federal career employees might start on July 1, 1960, the same date on which coverage will start under previous legislation for active employees and those who will retire after June 30, 1960.

Because of the lateness of the Senate session and the apparent nearness to adjournment time, it is my hope that the witnesses will summarize their statements, and the statements will be printed in full in the hearing record.

It is my hope that 1 day of hearings will be sufficient. However, the hearing record will be held open for several days so that others who wish to submit statements may have them included in the record. The hearings will start with representatives of the administration—the Chairman of the U.S. Civil Service Commission and the Director

of the Bureau of the Budget. We will then have representatives of the National Association of Retired Civil Employees, followed by representatives of employee groups.

I just again want to emphasize to those other than Government witnesses that you can always include your full statement in the hearing record, but I am sure you realize consideration of this bill is going to be greatly expedited if you summarize your statements in your oral presentations. We all want to see if we cannot at least get a bill reported in the Senate Calendar of this session.

(S. 2575 is as follows:)

[S. 2575, 86th Cong., 1st sess.]

A BILL To provide a health benefits program for certain retired employees of the Government

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the only "Federal Annuitants Health Benefits Act of 1959."

SEC. 2. As used in this Act—

(a) The term "annuitant" means any of the following who are not eligible for coverage under the Federal Employees Health Benefits Act of 1959: (1) an employee who has heretofore retired or who prior to July 1, 1960, retires on an immediate annuity, under the Civil Service Retirement Act or other retirement system for civilian employees of the Government, after twelve or more years of service or for disability, (2) a member of the family who receives an immediate annuity as the survivor of a retired employee described in clause (1), or of an employee who dies prior to July 1, 1960, after completing five or more years of service, (3) an employee who receives monthly compensation under the Federal Employees Compensation Act as a result of injury sustained or illness contracted prior to July 1, 1960, and who is determined by the Secretary of Labor to be unable to return to duty, and (4) a member of a family who receives monthly compensation under the Federal Employees Compensation Act as the surviving beneficiary of (i) an employee who dies after completing five or more years of service as a result of injury sustained or illness contracted prior to July 1, 1960, or (ii) a former employee who is separated after completing five or more years of service and who dies while receiving monthly compensation under such Act on account of injury sustained or illness contracted prior to July 1, 1960. For the purpose of this subsection, "service" means service which is creditable for the purposes of the Civil Service Retirement Act.

(b) The term "employee" means an appointive or elective officer or employee in or under the executive, judicial, or legislative branch of the United States Government, including a Government-owned or controlled corporation (but not including any corporation under the supervision of the Farm Credit Administration, of which corporation any member of the board of directors is elected or appointed by private interests), or of the municipal government of the District of Columbia, and includes an Official Reporter of Debates of the Senate and a person employed by the Official Reporters of Debates of the Senate in connection with the performance of their official duties, and an employee of Gallaudet College, but does not include (1) a member of a "uniformed service" as such term is defined in section 1072 of title 10 of the United States Code, (2) a noncitizen employee whose permanent-duty station is located outside a State of the United States or the District of Columbia, or (3) an employee of the Tennessee Valley Authority.

(c) The term "member of family" means an annuitant's spouse, unmarried child under the age of nineteen years (including (1) an adopted child, and (2) a step-child or recognized natural child who lives with the annuitant in a regular parent-child relationship), or unmarried child regardless of age who is incapable of self-support because of a mental or physical incapacity that existed prior to his reaching the age of nineteen years and who is in fact dependent on the annuitant for over one-half his support.

(d) The term "dependent husband" means a husband who is incapable of self-support by reason of mental or physical disability which can be expected to continue for more than a year.

(e) The term "health benefits plan" means an insurance policy or contract, medical or hospital service agreement, membership or subscription contract or

similar arrangement provided by a carrier for the purpose of providing, paying for, or reimbursing expenses for health services.

(f) The term "Commission" means the United States Civil Service Commission.

SEC. 3. The Commission is authorized and directed to establish a health benefits program for annuitants and members of their families who are not eligible for coverage under the Federal Employees Health Benefits Act of 1959. Except as provided in this Act, benefits under such program, and the conditions under which they shall be payable, shall correspond as nearly as practicable, to the extent possible with the funds available under this Act, to the benefits provided under the Federal Employees Health Benefits Act of 1959.

SEC. 4. (a) If an annuitant enrolls in a health benefits plan under this Act for himself only, there shall be withheld from the annuity of such annuitant as his contribution an amount not to exceed \$3.80 monthly, and the Government shall contribute a like amount.

(b) Except as provided in paragraph (c), if an annuitant enrolls in a health benefits plan under this Act for himself and members of his family there shall be withheld from the annuity of such annuitant, as his contribution an amount not to exceed \$9.20, and the Government shall contribute a like amount.

(c) If a member of the family of a female annuitant, who enrolls in a health benefits plan under this Act for herself and members of her family, is a husband, other than a dependent husband, there shall be withheld from the annuity of such annuitant as her contribution an amount not to exceed \$13 monthly, and the Government shall contribute an amount not to exceed \$5.50 monthly.

SEC. 5. The program authorized by this Act shall not be applicable to any annuitant or member of his family unless such annuitant elects, within ninety days after July 1, 1960, to be covered by such program, and consents to the deduction from his annuity or other benefit payments of such amounts as the Civil Service Commission shall prescribe as contributions to the cost of such program.

SEC. 6. There is hereby created a Federal Annuitants Health Benefits Fund, hereinafter referred to as the "Fund", which is hereby made available without fiscal year limitation for the payment of all premiums or subscription charges under policies or contracts purchased or entered into under section 7, and for payment of expenses incurred by the Commission in administering the program authorized by this Act. The amounts withheld from the annuities of annuitants, and the amounts contributed by the Government toward the cost of health benefits for such annuitants shall be paid into the Fund. For purposes of the payments provided for in this section, the Secretary of the Treasury is authorized to use the proceeds of the sale of any securities issued under the Second Liberty Bond Act as now in force or as hereafter amended, and the purposes for which securities may be issued under the Second Liberty Bond Act are hereby extended to include this purpose. The income derived from any dividends, premium rate credits or other refunds shall be credited to and constitute a part of the Fund. Any amounts remaining in such Fund after all premium or subscription charges have been paid, and after the amounts referred to in the preceding sentence have been set aside, shall be retained as a special reserve for adverse fluctuations in future charges, or may be applied to reduce the contributions of employees and the Government to, or to increase the benefits provided by, the plan from which such amounts are derived, as the Commission shall from time to time determine. The Secretary of the Treasury is authorized to invest and reinvest any of the moneys in the Fund in interest-bearing obligations of the United States and to sell such obligations of the United States for the purposes of the Fund. The interest on and the proceeds from the sale of any such obligations shall become a part of the Fund.

SEC. 7. The Civil Service Commission is authorized to prescribe such regulations and, without regard to section 3709 of the Revised Statutes or other provisions of law requiring competitive bidding, to enter into such contracts or arrangements, or purchase such policies, as may be necessary to establish and carry out the program authorized by this Act.

SEC. 8. The Commission shall transmit to the Congress annually a report concerning the operation of this Act.

SEC. 9. The health benefits program authorized by this Act shall take effect on July 1, 1960.

Senator CARLSON. May I make a statement, Mr. Chairman?

Senator NEUBERGER. You certainly may, Senator Carlson.

Senator CARLSON. Mr. Chairman. I hope these are the concluding days of this session of Congress, and I do want to express my personal appreciation, and I know the appreciation of the members of the sub-

committee and the full committee, and I think our civil service, both active and retired employees of this Nation. Senator Neuberger spent weeks working on and securing a bill, Senate 2162, which passed the Senate and passed the House yesterday. I am hoping we can soon concur on it and secure the health insurance program for the Federal civil workers. I sincerely hope, if we conclude the hearings on this, we will have an opportunity again to be of some benefit to the retirees who have labored long for our Federal Government.

But I do want to pay a special tribute to Senator Neuberger. He is certainly entitled to great credit for his work in this field.

Senator NEUBERGER. Thank you, Senator, that is characteristically generous of you, but I might add my service on behalf of the Government employees, both active and retired, is of far shorter tenure and less service than your own. I do appreciate your sentiments.

Senator Yarborough, Senator Jordan, do either of you have any comments?

Senator JORDAN. I would like to concur in the remarks of my good friend Senator Carlson. I hope we can bring out this bill as we have on the active employees of the Federal Government, that we can get it in at this session of Congress.

Senator YARBOROUGH. I, too, want to commend the chairman of this subcommittee, the Senator from Oregon, for his leadership on this health program for the Federal employees, and now on this bill for a somewhat similar program for retired employees of the Government.

And, of course, I commend the distinguished Senator from South Carolina, the chairman of the full committee. Without his leadership of the committee and the support of the ranking minority member, the Senator from Kansas, we would not have had these programs. In fact, this is the committee that tried to work out these programs. Unlike some committees I worked on, I do not know of a single member who obstructed the program.

I think these programs have been long overdue. The Federal Government has been far behind private business, and more behind the progressive State and city governments in this country, and I hope before the 86th Congress has finally completed its work, that it will have written into law both the health benefit plan for the active employees of the Federal Government and for the retired employees of the Federal Government.

Senator NEUBERGER. Thank you, Senator Yarborough.

I believe our committee is very fortunate, not only in the chairman, but its ranking minority member, and in the way they try to bring forth constructive legislation. I think the record demonstrates that.

I will now call the first witness, the Honorable Roger W. Jones, Chairman, U.S. Civil Service Commission.

Mr. Jones, we will be very pleased to hear from you now.

STATEMENT OF HON. ROGER W. JONES, CHAIRMAN, U.S. CIVIL SERVICE COMMISSION, ACCOMPANIED BY WARREN B. IRONS, EXECUTIVE DIRECTOR, AND DAVID F. LAWTON, ASSISTANT DIRECTOR, BUREAU OF DEPARTMENTAL OPERATIONS

Mr. JONES. Thank you, Senator Neuberger. I have with me Mr. Warren B. Irons, Executive Director of the Civil Service Commission, and also David F. Lawton, Assistant Director, Bureau of Departmental Operations, Civil Service Commission, our staff member who worked very closely with the committee staff on insurance matters.

Senator Neuberger, with your permission, I will read the report of the Commission on S. 2575. It is in the nature of a letter addressed to the chairman of the committee:

U.S. CIVIL SERVICE COMMISSION,
Washington, D.C., September 2, 1959.

Hon. OLIN D. JOHNSTON,
Chairman, Committee on Post Office and Civil Service,
U.S. Senate.

DEAR SENATOR JOHNSTON: This letter is in further reply to yours of August 25, 1959, requesting the Civil Service Commission's views and comments on the bill S. 2575, to provide a health benefits program for certain retired employees of the Government.

The current fiscal position of the Federal Government is such that the administration finds it necessary to oppose enactment of S. 2575 at this time. The Commission points out that enactment now would be contrary to an approved policy of opposing new programs, at least until fiscal conditions improve. The Commission estimates that the expenditure required of the Government would range between \$15.5 and \$22 million for the first year.

The Commission understands that the considerations which have prompted the committee to hold hearings on this legislation are three in number:

1. Desire to authorize a plan for retired employees at the same time that health benefits are provided for active employees.

2. Prevention of discrimination between active and retired employees, particularly in light of the fact that pending legislation covering active employees will become effective July 1, 1960.

3. Avoidance of difficult questions of retroactivity which would arise if the measure were considered at a later date.

In the light of these considerations and since you have called upon the Commission for its views on S. 2575, we do have some comment on the bill. These comments, which follow, should not be construed as departing in any way from the administration's position expressed above.

Here is our section-by-section analysis of the bill:

Section 1: Creates a short title: "Federal Annuitants Health Benefits Act of 1959."

Section 2: Defines technical terms used in the bill. Included is the term "annuitant." By definition, coverage is extended to those individuals who possess essentially the same qualifications as are required for annuitants' coverage under S. 2162 except that the individuals covered by this bill must have become annuitants before July 1, 1960.

Section 3: Authorizes and directs the U.S. Civil Service Commission to establish a health benefits program for annuitants and members of their families not eligible for coverage under S. 2162. No standards are set as to the benefits to be provided except that they are to correspond as nearly as practicable to the benefits provided under S. 2162.

Section 4: Provides for the same maximum dollar withholdings from annuities and Government contributions as are provided in S. 2162, converted into monthly terms.

Section 5: Requires that any annuitant desiring to participate in the program enroll within 90 days after July 1, 1960.

Section 6: Creates a Federal annuitants health benefits fund which is made available without fiscal year limitation for the payment of premiums and for expenses incurred by the Civil Service Commission in the administration of the enacted bill. The Government's contribution is to be derived through proceeds from the sale of any securities issued under the Second Liberty Bond Act and the bill extends the purposes for which securities shall be issued under that act to include this purpose.

Section 7: Authorizes the Commission to prescribe necessary regulations and to enter into contracts or other arrangements without competitive bidding.

Section 8: Requires an annual report to the Congress.

Section 9: Sets the effective date of the act as July 1, 1960.

We believe that the language of S. 2575 could in many instances be perfected in such a way that administration of an enacted bill would be greatly facilitated. For example, we think it highly advisable that those definitions in section 2 of the bill S. 2162 which are pertinent to S. 2575 be incorporated in the latter by reference, thus avoiding the continuing need to construe two sets of definitions and the probability of having to interpret them differently.

We must interpose serious objection to section 6, which requires the Government's contribution to the cost of the program to be made from proceeds of the sale of securities issued under the Second Liberty Bond Act. We do not believe that program costs should be unreviewed in any insurance operation. Furthermore, we have been advised by the Bureau of the Budget that the uses authorized and contemplated for this method of financing do not include such matters as the financing of health insurance benefits for retired employees and that the use of this method would not be in accord with the administration's fiscal policy. The only alternative source of the necessary Government contribution which we can envisage is direct appropriation by the Congress.

We are not here itemizing or suggesting language for the perfecting changes we believe should be made. This can be better done through personal contact between your committee's staff and staff of the Commission. Needless to say, the Commission will be glad to furnish any technical assistance you may ask for.

The Bureau of the Budget advises that there is no objection to the submission of this report.

By direction of the Commission:

Sincerely yours,

ROGER W. JONES, *Chairman.*

Mr. JONES. I have no further formal statement, Senator Neuberger, because I knew the committee wanted to move as rapidly as possible in the consideration of this matter. It seemed to us it would be just a waste of the committee's time to give you each of the suggested changes in language. They are, however, ready and can be quickly made available to the committee staff.

I think there is nothing else that the Commission can add at this time, except to make itself available for questions and perhaps to give you just a word as to how we arrived at our cost estimate, because there has been always a great deal of interest in those estimates.

The maximum contributions set by S. 2575 are \$3.80 monthly for individuals, and \$9.20 monthly for families. Assuming that 60 percent of the eligible annuitants have dependents, we would operate the thing on this set of arithmetic: \$9.20 a month times 6, or \$55.20 plus the sum of \$3.80 times 4, or \$15.20, giving us a composite figure of 7.040 times 12 months, or \$84.48 annual per capita cost on a composite basis times an estimated 260,000 estimated eligible annuitants, which would bring the maximum Government cost out to \$21,964,800, or if you take 70 percent of that, the minimums specified in S. 2162 as it passed the House, it would bring it down to a minimum cost of \$15,375,360.

That is the basis for the cost estimate that we put in our letter.

Senator NEUBERGER. Thank you very much, Mr. Chairman.

Senator Carlson, do you have some questions?

Senator CARLSON. I want to make one inquiry on that very point. I believe you stated you estimated that 60 percent of these annuitants or retirees have dependents; did I understand you correctly?

Mr. JONES. That is correct.

Senator CARLSON. Is that based on actual records of civil service, or is that an estimate that you have prepared from drafts and statistics that you have?

Mr. JONES. Let me ask Mr. Irons to answer that question. He can give you a fuller answer than I could.

Mr. IRONS. That is based on estimates made from our statistical information we have in the Commission's civil service retirement records.

Senator CARLSON. It occurs to me offhand, knowing nothing about it, except knowing individuals in this group, 60 percent seems like a very high number of dependents.

Mr. IRONS. By dependents we include the wife as the dependent of the husband. That doesn't mean they all have young children.

Senator NEUBERGER. Senator Carlson, do you have any other questions?

Senator CARLSON. No.

Senator NEUBERGER. Any further questions?

Senator YARBOROUGH. Mr. Chairman, this estimate of minimum cost to the Government per year of \$15,375,000, maximum \$21,964,000, that is beginning as of the first year of operation?

Mr. JONES. That is for the first year, Senator Yarborough; yes, sir.

Senator YARBOROUGH. As time went on, this figure would decrease due to the fact those presently retiring would go under the employees retirement system, rather than the number of retired employees. This retired program would be one of declining cost to the Government?

Mr. JONES. That is my understanding. This would be a closed universe, so to speak, a closed group, once the program went into effect. Since it would be a group which continually grew older, the cost would go down as the people in the group died.

Senator YARBOROUGH. In some Government programs, I have seen it meet the objection, "the sky is the limit, we can't see what this will cost in the future, it will be so high." This is not that kind of a program. This is one where you know there will be a definite cost?

Mr. JONES. Yes, sir. I will not venture at the moment to estimate how rapidly it will fall off, because the life expectancy of our annuitant group at the time of retirement is pretty high.

Senator YARBOROUGH. Thank you.

Senator NEUBERGER. Senator Jordan, do you have any questions?

Senator JORDAN. No; the questions asked were the questions I had in mind.

Senator NEUBERGER. I am a little disappointed, Mr. Chairman, this really very modest bill is contrary to the program of the administration. I would like to ask you a question, if I can. Does not the administration, and the Commission, feel some sense of responsibility for participating in some very limited program of health insurance protection for the former employees of this Government?

Mr. JONES. Senator, I think you know the views of the Commission as expressed on the problem of continuation of coverage for people who retire in the future. With respect to the people who are already on the retired rolls, or who will be on the retired rolls by next July 1, when presumably the legislation for the active employees will go into effect, there is quite frankly considerable question in the minds of a number of people as to whether the same type of obligation exists.

I think the Budget Bureau may want to comment further on this at the time of their testimony.

Senator NEUBERGER. You mean you feel a lesser responsibility for those who served the Government and have retired? Is that right?

Mr. JONES. That is the argument—on the ground that every time we had a new benefit program for active employees, it becomes a question of judgment as to whether the same obligation applies to the people already retired. Some folks point out with a degree of logic that there is no longer the employee-employer relationship, and that you can scarcely expect to go back on a retroactive basis and do everything for retired people that you do for active employees, who may have some residual benefits from the thing after they retire.

The other side of the coin, of course, is the belief that the U.S. Government should be a leader in the whole field of benefits for its employees, active and retired, and that we should not find ourselves as an employer in the Federal Government always trying to catch up.

At the moment I do not believe there is very definitive information from industry as to what the industrial pattern is. Some of the people who have doubts about this also point out that there are now group insurance plans for older people to a much greater extent than was true a few years ago. There is, for example, a plan which the National Association of Retired Civil Employees has. I think their people are here today, and they may want to tell you something about their plan, the kind of benefits they extend under health insurance plans to some 30,000 to 35,000 retired civil employees.

Senator NEUBERGER. Which is totally borne by the employees.

Mr. JONES. It is entirely borne by the employees, that is correct. From the limited information we have at hand, it would appear this appears to be fairly generally true under the industrial plan, the cost of retired participation is very largely borne by the employee.

Senator NEUBERGER. We have a little question of philosophy here. I recently read the other evening an article in the Saturday Evening Post by Hanson W. Baldwin, the distinguished military editor of the New York Times. He pointed out, for example, until this administration took office, it had always been the policy of the Government that when a pay increase was provided for officers, men on active military duty, the same percentage increase went to retired military personnel.

Mr. JONES. That is correct.

Senator NEUBERGER. But now for the first time under this administration, far different criteria have been established, and a year and a half ago, when the administration and Congress—Congress shares this responsibility—enacted the military pay increase, a far smaller percentage increase, much smaller, went to those who are retired, and the reason I mention this it seems to me just a whole question of philosophy as to whether the Government feels it has a responsibility

to those who served in war or in peace, or in both, as to those who are presently serving.

I am disappointed, naturally, in this letter of September 2, which you presented to us on behalf of the administration.

Are there any other questions?

Senator CARLSON. Just this, Mr. Chairman.

Mr. Chairman, I notice that you stated that you are opposing—the Commission points out that an act now would be contrary to the new policy of proposing new programs, at least until fiscal conditions improve. Then you conclude this letter with this statement:

We believe that the language of S. 2575 could be many instances be perfected in such a way that administration of an enacted bill would be greatly facilitated. For example, we think it highly advisable that those definitions in section 2 of the bill, S. 2162, which are pertinent to S. 2575 be incorporated in the latter by reference, thus avoiding the continuing need to construe two sets of definitions and the probability of having to interpret them differently.

As I gather from your letter, despite the fact you are opposing this bill as presently before us, you as the Chairman of the Commission offered to be cooperative with the committee in trying to work out a bill that might be acceptable.

Mr. JONES. I can't say as to whether it might be acceptable, but I do say this, Senator Carlson: If the Congress should adopt this bill, we would certainly urge the job of administration be made as easy as possible and consistent with the bill for the active employees, and therefore we feel the obligation now, rather than later, to express to you the views that we have about necessary changes if the bill is to be enacted.

Senator NEUBERGER. If the bill is enacted, would you urge it be signed?

Mr. JONES. I don't think I can answer that question at the moment, Senator Neuberger. I think it would depend on the form of the bill, and it would depend on a number of questions.

I personally have always subscribed to the theory that under our system of government, when the Congress proposes a piece of legislation, the executive agencies have to examine it most carefully to see whether there is reason to recommend veto. I recognize, of course, the final decision on veto can only be made by the President. He is frequently influenced by the recommendations from the agencies. There is enough division of opinion as to the merits of this proposition so that I would have to go back and consult at length with my two colleagues before I could give you an answer to that question.

Senator NEUBERGER. Senator Carlson.

Senator CARLSON. Just this: You have stated this morning you would be glad to have the Commission cooperate with this subcommittee should we desire to call you up for consultation and confer with you as we go through this bill?

Mr. JONES. Yes, sir, and Mr. Lawton, particularly, of the staff, is prepared to do that.

Senator NEUBERGER. We appreciate that also. I just want to ask you one further question. Don't you really believe this is quite a modest program?

Mr. JONES. Yes. That is a personal expression of my view.

Senator NEUBERGER. Thank you very much.

If there are no other questions, we certainly appreciate your being here.

Our next witness will be Mr. Elmer B. Staats, Deputy Director of the Bureau of the Budget. I believe he is accompanied by some of his staff.

Mr. Staats, won't you proceed, please?

**STATEMENT OF ELMER B. STAATS, DEPUTY DIRECTOR OF THE
BUREAU OF THE BUDGET, ACCOMPANIED BY C. SPENCER
PLATT AND WILLIAM H. LEHMAN**

Mr. STAATS. Mr. Chairman, I am very happy to be here this morning. I have here with me from the Bureau of the Budget this morning Mr. C. Spencer Platt, at my left, and Mr. William H. Lehman, to my right, who have been concerned with this whole problem of looking at the Government's overall personnel problems for a good many years.

Senator CARLSON. May I make a short statement?

Senator NEUBERGER. You certainly may.

Senator CARLSON. I want the members of the committee to know Mr. Staats is a Kansan. We have very great pride in the fact he is in the Bureau of the Budget, and he is what I call a career official; he has been in the Government for many, many years.

Mr. STAATS. Thank you, Senator Carlson.

Senator YARBOROUGH. Being very close to Kansas, I want to add my comment to the very able Kansas Senator. We southwesterners are proud of our people who have made their mark in Government.

Senator NEUBERGER. Being from a State that is very distant from Kansas, I will state that to Mr. Staats' other qualifications, I am happy to learn he has the eminent requisite of coming from the State of the distinguished ranking minority member of this committee.

Mr. STAATS. Mr. Chairman, the subject of this bill which you have before your committee this morning was discussed somewhat in testimony before this committee on the health insurance program for Federal employees. I think it was felt then on the part of the executive branch from the standpoint of the immediate need and the immediate priority that it was a program which should be excluded from that previous bill. I think the history of this is pretty clear.

This particular bill would grant health benefits to persons already retired from the Federal service, with half of the cost to be paid through contributions by those covered and half to be paid by the Government. The Government's share of the cost is estimated by the Commission to be within the range of \$15.5 million to \$22 million annually during the initial years of the program. We estimate that the probable figure would be about \$20 million.

The administration is opposed to this bill. The cost of health insurance for retired employees should not be added to the heavy and more important budget requirements with which we are now faced.

I need not, I believe, review for you the very serious budget problems with which the Nation is faced. You know how many appealing programs must be surrendered or deferred as the Congress and the administration struggle to develop a sound budget. We do not

believe that we are justified in adding the program and the expense entailed by this bill to the already overbearing budget burden.

The balanced budget for 1960 is in serious jeopardy. The 1960 budget submitted last January was closely balanced, with revenues at \$77.1 billion and expenditures at \$77 billion.

As the result of subsequent events, expenditures will be significantly higher.

Expenditures will be higher because of increased costs of veterans' programs, partially due to added authorizations for veterans' loans; higher interest costs on the national debt; acceleration of expenditures under certain Government programs, such as outer space; and a number of other factors not contemplated when the 1960 budget was prepared. In addition, no action has been taken on the President's proposals for higher postal rates and for reduced farm price supports.

I think those of us who have been living with this problem in the Bureau of the Budget and the Treasury, are becoming increasingly concerned about this. I don't think I need to review this problem in detail for the committee. You are as familiar with it, I think, as we are. We particularly are impressed by the fact that a large number of programs, some of them costing a million to 5 million, and on up, we have had to defer on. We have had to ask that they be given up because of the overall fiscal situation with which we are faced.

The Commodity Credit Corporation may cost considerably more than we estimated as of January. Public assistance payments will be up. Interest will be up. Veterans' direct loans will be up. The farmers home loan program will be up, and the school lunch program will be increased by actions of the Congress. Military expenditures will be up, and so on down the list—HEW, National Institutes of Health. There has not been an increase in postal rates, as you know, which would have amounted to \$350 million. Direct loans have been provided for veterans in the amount of \$100 million. All of these increases which we are faced with now, that we could not anticipate last January, coming on top of increasing difficulties in management of the debt, we feel make the case that programs of this kind should be not undertaken on top of everything else.

Legislation already enacted and programs underway will force the 1961 budget substantially above 1960. The Congress in recent years has enacted a number of programs under which expenditures are on the upgrade, and other uncontrollable factors will cause certain other programs to continue to grow. At the present time, it is estimated that built-in increases in certain programs will force 1961 expenditures upward by more than \$2 billion over 1960. Included in these are outer space, aviation modernization, the Development Loan Fund, urban renewal and other housing programs, construction of water resources projects, and the conservation reserve, as well as the recent enactment of increased veterans' pensions, and the pending legislation for Government employees' health insurance.

These built-in increases would obviously force Government spending up significantly in 1961 over 1960, even without any increases in other going programs of the Government or in defense.

We find pretty generally across the board great pressure for increases in programs. We recognize if the economy continues to grow, and the present high level of employment continues, that revenues

will, of course, be up over 1960, but we anticipate that these revenues are going to be faced with the pressures for increased expenditures.

As you know, the administration has for several years supported health benefits for employees, anticipating a cost of \$80 million. The employee health benefits bills currently under consideration in Congress would cost considerably more than the \$80 million contemplated, the estimated costs to the Government of the two different bills ranging from \$107 million to \$155 million. It would be unwarranted and unwise, we believe, to add to these already greatly expanded plans and costs another new program such as this.

Aside from the budgetary situation, we would pause at the step which this bill would take. This would be a fairly unique departure for the Government in its role of employer, and we do not know that a sound basis of evidence and of justification can be laid for taking the step. The Government's practices to date relative to retired persons constitute no warrant for the step, nor do prevailing practices in private enterprise set us a justifying precedent. Instances have been given of certain industries which have instituted health benefits programs for retired employees on a retroactive basis; but these instances do not provide the information needed relative to prevailing practice. We are not aware of any definitive reports on this subject, but it is our belief that the practice is uncommon.

We have checked informally with the Industrial Conference Board, the Chamber of Commerce, and other nongovernmental groups, as well as the Bureau of Labor Statistics, which recently completed a very major study of this subject, but don't find at this time any specific studies on this point, and the impression we have is that the practice is quite uncommon.

Even in the instances cited, no information is provided relative to coverage, that is, whether a given industry plan covers all retired employees or only a certain defined group of retirees; neither is there information relative to cost sharing nor to the relation of the program to employee compensation generally. And the question of prevailing practice is only one of several aspects of the issue which would require inquiry before one could determine whether justification exists for adopting the program.

Because we cannot fit it into the budgetary priorities with which we are faced, and because we have not found a basic justification for the program, we believe that the Government should not embark upon a program of health benefits for retired employees.

Mr. Chairman, this concludes my prepared statement. I would be happy to go into any aspect of this further, or turn to my colleagues here at the table. I hope the committee is impressed, as we are, that new programs of this kind must be judged in the light of overall priorities and in terms of what can be fitted into a budget program. Given the receipts that we anticipate, we are having to take the same tight approach pretty much across the board and urge deferred any new programs which can be deferred.

Senator NEUBERGER. Thank you very much, Mr. Staats.

Senator CARLSON, do you wish to ask your distinguished constituent any questions?

Senator CARLSON. I was interested in your comment, and I know the Budget Director is greatly concerned about our budget finances, as is every Member of Congress.

I notice you stated:

Congress has in recent years enacted a number of programs under which expenditures are on the upgrade, and other uncontrollable factors will cause certain other programs to continue to grow.

I am confident that is a correct statement, but I would inquire if the Bureau of the Budget did not approve of most of those proposals that are continuing to grow as time goes on.

Mr. STAATS. Well, Mr. Chairman, I could go into some of these programs, many of which I think the executive branch did concur in, and many of which we did, but at lower levels. The veterans' pension bill has just been enacted, and is one in which the bill as it finally came out cost about \$300 million in the first year of operation, as against the \$100 million which the administration proposed.

The Labor-HEW bill came out, as you know, considerably over the administration's proposals. The health insurance bill, I mentioned, is another one where it was increased by Congress. In many of these instances the administration has been for legislation, but the amount has been increased in the action taken.

Senator CARLSON. A built-in program that will continue to grow in many instances—in fact, I think the record will show in most instances—the Bureau of the Budget has not opposed them; in fact, they have recommended them.

Mr. STAATS. In some cases this is quite true. In the 1960–61 period, one of these built-in factors, over which neither the executive branch nor the Congress has much discretion, is the interest charges, which will be up substantially, not only in fiscal 1960, but in 1961, as refinancing operations take place.

The conservation reserve under the operation of that law will increase. The development loan fund expenditures under the present authorizations will increase. Veterans' pensions will again go up. Construction programs, which are already in process, with commitments made and construction underway, will be up around \$200 million in 1961 over 1960.

The space program will be increased. Aviation, the housing program under existing legislation, expenditures will increase, aside from the question of the new legislation.

This is just illustrative of the kind of built-in factors in the budget which we have to deal with, and in which we have really very little discretion.

Senator CARLSON. I just want to say this, that I as one Member, and I know that is true of all Members of the Congress, appreciate the problems of the Budget. We have problems too, and we are concerned about the situation. The built-in programs, which in your statement shows you approved, I want to know whether the Bureau of the Budget also went along with us on these built-in increases. I think the record will show that.

Mr. STAATS. The thing I want to stress at this point is not who is responsible, but to try to impress on you as much as I can the seriousness of our problem and why we take a negative position on this measure.

Senator NEUBERGER. Isn't this true, Mr. Staats, that a growing country, in a period of inflation, many costs are always going to increase?

Mr. STAATS. That is true.

Senator NEUBERGER. Isn't that true?

Mr. STAATS. The construction field, and the military procurement areas, I think are pretty evident cases.

Senator NEUBERGER. You can always cite these increasing costs against any particular program. Isn't that equally true?

Mr. STAATS. I think you can go a bit further than that. In many of these programs, the increase in cost is directly related to the size of your population and the level of industrial activity. The only way we are going to keep receipts in pace with expenditures is for the economy to continue to grow and for the receipts to reflect this growth.

Now, some additional revenue requests, such as postal revenues that the President put in his budget, have not materialized. That has been one factor in this picture. I know you, personally, have been attempting to deal with that in a very good and courageous way. We have to look at the new programs which could be deferred in all of these instances until we can get our budget back in balance.

Senator NEUBERGER. Don't you really believe that this new program is really a very modest one, and one of very limited size and proportion?

Mr. STAATS. If you look at it in relation to some of these other big figures I have been reciting here, that is quite true. But the budget includes a whole series of similar modest proposals that we have to look at very hard from the standpoint of approving one, why not approve the next one.

Senator NEUBERGER. I realize that you have to be selective, but I tried to emphasize that before this bill ever was introduced we constantly pared down its scope and its cost. I feel the bill before us now for joint sharing by the Government and retired employees, in a program of health insurance, is really a bill of very limited scope and a very modest bill. As Senator Yarborough pointed out, it is a bill which will diminish in cost as this group of retired annuitants became smaller by the nature of the working of time that affects us all.

Mr. STAATS. It is hard to estimate, I believe, as Mr. Irons has indicated, exactly when this reduction would take place with the large number of dependents that are in the picture. I suppose this could be arrived at more precisely than we now have. We believe it probably would be upwards of 10 years before there would be much change in figures.

Senator NEUBERGER. As long as the dependents are spouses, they too are subject to the immutable process of living. I believe it was the elder Holmes who said, "We all live under a permanent sentence of death, and that is the penalty that we pay for life." So inevitably these costs will grow smaller.

Mr. STAATS. Yes, at some time, that is quite right.

Senator NEUBERGER. Thank you so much for being here today. I am not quite as devoted to your statement as I am to your Senator of the State from which you come, or as to you personally, but I was illuminated by learning you have such a fine Senator from your State of Kansas. I did not know you came from Kansas. Despite the statement you have submitted, we certainly welcome you personally.

Mr. STAATS. Thank you very much.

Senator NEUBERGER. I am glad you are here, and I appreciate your associates being with you. Thank you so much. We appreciate your candor and the forthrightness of your statement; we really do.

Mr. STAATS. Thank you.

Senator NEUBERGER. Our next witness will be Frank Wilson, president of the National Association of Retired Civil Employees.

I am going to include in the record a letter received from the junior Senator from Florida, Senator George Smathers.

(The letter referred to is as follows:)

U.S. SENATE,
Washington; D.C., September 2, 1959.

HON. RICHARD L. NEUBERGER,
Chairman, Insurance Subcommittee,
Post Office and Civil Service Committee,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: Because of other committee activity, I regret it is not possible for me to personally appear before you and your Insurance Subcommittee on this date to urge my support for prompt and favorable action on S. 2575, a bill designed to provide a much-needed voluntary health insurance program for civil service retirees, but I do appreciate the opportunity which you have afforded me to submit this statement in lieu thereof.

I am very pleased to be associated with this legislation as a cosponsor, because I feel that by virtue of the faithful service rendered by this deserving group of civil servants now in the retirement ranks that it is the right thing for a grateful government to do.

Our Government has, in many respects, fallen far behind private industry in this regard.

I might point out also that Canada has a fine hospitalization program for senior citizens already retired.

The State of New York has adopted a constructive health and hospitalization program for its retired employees.

Common decency demands that the Federal Government take similar action in this field.

The plight of civil service retirees today is indeed a troublesome one because of the increased cost of living. Medical expenses place an additional burden on their shoulders. They are in dire need of a voluntary health insurance program, which will serve their needs at a price which they can afford to pay.

This proposed legislation is extremely appropriate because we all realize the very pressing need for protection against illness and unforeseen accidents. A major illness can bankrupt a person living on a moderate civil service annuity and quickly eat up the nest egg he may have saved for emergencies. It is not enough that he may have been prudent and put aside a moderate nest egg. Even the greatest of past prudence, in view of the recordbreaking high cost of living which we have today, will not provide sufficient money to pay for the care and efficient treatment which medical science has made available for use in fighting prolonged and serious illness.

At this time I would like to congratulate and commend you for your energetic, efficient, and sincere interest in the welfare of already retired civil service employees by preparing this proposed legislation, and most of all for your demonstrated efforts to expedite action so that the bill will promptly reach the floor of the Senate.

The legislation deserves the swift approval of the Congress.

With kind regards, I am

Sincerely yours,

GEORGE A. SMATHERS,
U.S. Senate.

Senator NEUBERGER. You may proceed, Mr. Wilson.

STATEMENT OF FRANK J. WILSON, PRESIDENT, NATIONAL ASSOCIATION OF RETIRED CIVIL EMPLOYEES, ACCOMPANIED BY JOSEPH L. SPILMAN, VICE PRESIDENT; JOHN J. MADIGAN, SECRETARY; AND JOHN A. OVERHOLT, LEGISLATIVE REPRESENTATIVE.

Mr. WILSON. Mr. Chairman, members of the Insurance and Health Subcommittee, my name is Frank J. Wilson. I am president of the National Association of Retired Civil Employees. I am accompanied by Joseph L. Spilman, our vice president; John J. Madigan, secretary, and John A. Overholt, legislative representative. Our association is in its 39th year. We have almost 100,000 members. We have 730 chapters in the 50 States and 25 State federations.

Our association wholeheartedly endorses S. 2575 to provide a voluntary health insurance program for already retired civil service employees and survivors. We highly commend the chairman and members of this subcommittee, the chairman and members of the full committee, and the committee staff for their initiative and efficiency in drafting the bill. We deeply appreciate their demonstrated interest in the welfare of career employees who have retired. We appreciate and thank the 23 cosponsors of S. 2575 for their desire and their constructive efforts to help provide much-needed protection against heavy expenses caused by unforeseen illness for as many as possible of about 340,000 eligible retirees and about 120,000 widows.

The action of the cosponsors and the support pledged by other Senators is a strong indication that the long and faithful service of the retirees is remembered and appreciated, and that the Senators consider it appropriate for the Government to fulfill its moral obligation toward its former employees.

Senator CARLSON. Mr. Chairman, before Mr. Wilson proceeds, may I state I have a meeting of the Finance Committee at 10:30, so, if I walk out during your testimony, I sincerely hope you will not feel there is any discourtesy on my part. If the Finance Committee doesn't meet, I know we won't have any money.

Mr. WILSON. Under such circumstances we will not feel bad if you go. It is a "must."

Senator NEUBERGER. Not only does Senator Carlson have other commitments, but so also did Senator Jordan and Senator Yarborough who were here this morning, who had to leave.

Please proceed.

Mr. WILSON. We call attention to the fact that many Members of the House of Representatives are in full accord with the Senate cosponsors, as within the last week 49 Members of the House from 22 States have introduced companion bills. This is an extremely unusual and impressive demonstration of nationwide, grassroots sentiment in favor of this legislation received by Congressmen from the Far West, from the Far North, from the Deep South, from the farm States in the Mississippi Valley, and from the industrial States in the east.

We respectfully recommend that in the committee study of the bill that consideration be given to two amendments. We recommend an additional paragraph in section 4 as follows:

(b) If an annuitant enrolls in a health benefits plan under this act for himself and his spouse there shall be withheld from the annuity of such annuitant as his contribution an amount not to exceed \$7.60 monthly, and the Government shall contribute a like amount.

This insertion as paragraph (b) will require the present paragraphs (b) and (c) to be changed to (c) and (d).

We deem the above change as appropriate because relatively few annuitants have families within the definition of a family as specified in the bill. Most of them have only one member of their family; namely, the spouse. No provision is made in the bill for the joint coverage of an annuitant and spouse. The bill provides for coverage of the annuitant at not to exceed \$3.80 per month and it would be logical and proper to fix the cost of coverage for the annuitant and spouse at two times the cost for the annuitant.

Under the present paragraph (b) of the bill the annuitant may cover himself and his spouse by contributing \$9.20 per month for which amount he would also be entitled to coverage for the other members of his family. For an annuitant with only a spouse, the additional cost for the spouse only would be \$5.40. The above suggested change will correct this situation and allow about 61,000 spouses to obtain the insurance for \$3.80. This will reduce the cost to the annuitants by about \$1 million in the first year and to the Government by an equal amount.

We also recommend that in paragraph (e) of section 2, the following insertion be made on line 10 after the words "similar arrangement," "including a group policy sponsored by a retirement association, national in scope, in which membership is open to all annuitants of the Government." This insertion will make it possible for our NARCE group hospital-surgical policy to qualify as a health plan as specified in the bill. We now have over 52,000 covered by our NARCE plan and they are desirous of continuing their coverage under it.

We call your attention to an extremely serious situation which would develop if S. 2575 is not enacted into law. Because of the passage of S. 2162, providing health insurance for present employees and future retirees, the future recruitment of new members for our association health plan will be exceedingly difficult, if not impossible. As a result, the number of participants in our NARCE health insurance plan will steadily decrease. Eventually, the premiums will have to be materially increased. In that event, the remaining retirees in our plan will be unable to afford to pay the premiums and the plan will be forced to discontinue. We do not believe the Members of Congress would want to be partly responsible for a large group of present retirees being forced to lose their health insurance protection at their advanced age when they are most in need of it.

In addition to the direct benefits of this legislation to the civil retirees and to their widows, it will provide an indirect benefit to many others of our aged citizens because many employers will follow the lead of the Government and establish health plans for their retirees. The necessity for, and the value of voluntary health programs for the aging population, has been recognized by the Committee on Aging of the American Medical Association.

On June 16, 1959, at a hearing before the Senate Subcommittee on Problems of the Aged and Aging (Senator McNamara, chairman),

pertinent testimony was given by Dr. Frederick Swartz, chairman, Committee on Aging of the Council of Medical Services, American Medical Association. Dr. Swartz stated that one of the goals of the AMA Committee on Aging is:

The promotion of long-range positive health programs which will increase the overall capacities of persons to live active, meaningful lives in their later years.

The Department of Health, Education, and Welfare has given extended and intensive study to the problem of health insurance for our senior citizens; therefore, its statements warrant your serious consideration. We quote from a statement by Secretary Arthur S. Flemming of that Department made before the House Ways and Means Committee on July 13, 1959:

There is general agreement that a problem does exist. The rising cost of medical care, and particularly of hospital care over the past decade has been felt by persons of all ages. Older persons have larger than average medical care needs. As a group they use about $2\frac{1}{2}$ times as much general hospital care as the average for persons under age 65, and they have special need for long-term institutional care. Their incomes are generally considerably lower than those of the rest of the population, and in many cases are either fixed or declining in amount. They have less opportunity than employed persons to spread the cost burden through health insurance. A larger proportion of the aged than of other persons must turn to public assistance for payment of their medical bills or rely on free care from hospitals and physicians. Because both the number and proportion of older persons in the population are increasing, a satisfactory solution to the problem of paying for adequate medical care for the aged will become more rather than less important.

We are convinced that the objective of making adequate medical care reasonably available to our aged population should, so far as possible, be achieved through reliance upon and encouragement of individual and organized voluntary action.

The procedure proposed in this bill is organized voluntary action and thus meets the recommendation of Secretary Flemming.

Voluntary health insurance programs which cover employees already retired have been established by a number of large private employers including Eastman Kodak Co., Goodyear Tire Co., Minnesota Mining Co., and the First National Bank of Oregon. The Canadian Government has established a voluntary hospitalization program for senior citizens, already retired, and the government of the State of New York established a voluntary health program for civil service employees already retired. Our Government should do likewise.

By adopting the health insurance program, set forth in S. 2575, the Government will be taking an important first step to guide its former employees toward the goal which will help them to live active, meaningful lives in their later years. Furthermore, by that action, it will set a fine example for the States and private industry to follow.

Approximately 340,000 civil service retirees and 120,000 widows will be eligible for coverage under this bill. However, because of their small annuities many retirees and surviving widows will be unable to afford to pay even the moderate premium specified in the bill. About 250,000 of the eligible retirees and widows draw annuities of from \$30 to \$150 per month. Based upon the experience of New York State when it put into effect a similar voluntary health insurance plan for already retired employees, it is estimated that only 54 percent of the present retirees will feel that they can afford to elect coverage.

It is estimated that about two-thirds of the participating retirees have spouses and that only one-half of them will be able to purchase coverage for their spouses and that only about one-fourth of the surviving widows will be able to afford coverage. The cost to the annuitants during the first year, if the above suggested amendment is adopted, will be approximately \$13 million for about 275,000 participants and the Government share will be an equal amount. In future years because of deaths and the remarriage of widows who will no longer be eligible, the cost will progressively reduce and in about 12 years it will decrease to a nominal amount. The first year cost divided over the number of persons in the United States will be about 7 cents per person. If a taxpayer has five in his family the share for the family will be 35 cents. We doubt that any taxpayer will object to paying this share of the Government expense for providing health insurance for the aged retirees and widows covered by the bill.

Important provisions of this bill, S. 2575, which we consider make it worthy of favorable action by your committee, are:

1. It would establish a voluntary health program to aid as many Federal annuitants as possible, with their dependents and survivors, and would provide benefits which they cannot obtain for themselves at comparable cost.

2. It would provide annuitants freedom to select the kind of plan which they deem most suitable for their needs. (We believe, and this is extremely important, that it would permit inclusion of the hospital-surgical plan developed by our association, which now covers more than 39,000 retirees and over 13,000 spouses.)

3. It recognizes the problem of low-income annuitants and would aid them in securing substantial health benefits.

4. It provides for equal sharing of costs by annuitants and by the Federal Government.

5. It avoids the risk of termination of benefits because of health status or because of age.

6. It provides reasonable limitations on costs, even for the first year. (Costs will drop sharply each year, perhaps as much as 10 percent per year.)

7. Economies are provided for the Government as well as for annuitants by competition between carriers.

8. The proposed voluntary health program tends to avoid setting in motion any forces that would inflate costs of hospital and medical care for the total population.

We thank the chairman and members of this committee for the privilege of appearing at this hearing. We respectfully urge prompt and favorable committee action.

If the committee has questions or desires any further information we will endeavor to furnish it promptly.

Thank you.

Senator NEUBERGER. Just one question I would like to ask, Mr. Wilson. On page 5 of your prepared statement you figure 340,000 retirees, and 120,000 widows will be eligible for coverage. The administration witnesses used 260,000 as the figure. Is the difference accounted for by the fact that you compute that only a proportion of these will make available to themselves the program which is enacted; is that the situation?

Mr. WILSON. That is it. There will be approximately 340,000 that will be eligible, and we figure that 54 percent of them will participate. That would be 183,000, and we figure that one-third of them will have spouses which will bring it up to 61,000, which will make a total of 244,800 participants, plus the widows who will be expected to participate, and there are about 30,000 of them that will be able to afford to do so, so it will mean a total of 274,800 participants, according to our estimate.

Senator NEUBERGER. Thank you very much. I appreciate your being here.

Mr. Paschal, do you have any questions of Mr. Wilson and his associates?

Mr. PASCHAL. Just one, Mr. Wilson. I am a little concerned with your statement on the first amendment. Do I understand it is your feeling that under the bill, as it has been written, the NARCE would not qualify as it is written at the present time?

Mr. WILSON. I am not absolutely sure it will not qualify, but in order to make it clear that it may qualify, we suggest that proposed amendment.

Senator NEUBERGER. Isn't it true, Mr. Wilson, that this program which is before us today has been very considerably scaled down from the original program which your organization recommended and supported?

Mr. WILSON. It has been scaled down to an extremely high degree. At first there was an estimate, I believe, that this would cost overall around \$90 million. The overall cost today, according to the Civil Service, is going to be around \$30 million, and that is scaling it down not a little but a great big tremendous scaledown.

Senator NEUBERGER. There is no doubt about that.

Mr. WILSON. Yes, sir.

Senator NEUBERGER. We certainly appreciate your being here, because we know of the very direct and further interest of your organization of the National Association of Retired Civil Service Employees in this bill, and we appreciate your endorsement of S. 2575. Thank you so much.

Mr. WILSON. Thank you.

Senator NEUBERGER. Our next witness will be Mr. Jerome J. Keating, vice president of the National Association of Letter Carriers.

STATEMENT OF JEROME J. KEATING, VICE PRESIDENT, NATIONAL ASSOCIATION OF LETTER CARRIERS

Mr. KEATING. Mr. Chairman, my name is Jerome J. Keating. I am vice president of the National Association of Letter Carriers.

On behalf of the 117,000 members of the National Association of Letter Carriers, I want to thank Senator Neuberger, Senator Johnston, Senator Carlson, and all the Senators who joined in introducing S. 2575. This is sorely needed legislation.

A great many of them are retired letter carriers.

We are very grateful to you, Mr. Chairman, and Senator Olin Johnston, Senator Carlson, and all of the Senators who introduced this bill. We think it is very timely and very necessary. This is an area where legislation providing hospital benefits is greatly needed. In testifying on behalf of legislation for active Federal em-

ployees, we pointed out the necessity for providing protection for those already retired. In testifying before the House Ways and Means Committee recently, Arthur S. Flemming, Secretary of Health, Education, and Welfare, stated that in 1959, 40 percent of all people who had passed the age of 65 had some form of hospitalization benefits or insurance protection. The Senate Subcommittee on Problems of the Aged and Aging estimated that there are 16 million people over 65 in America today.

Taking a composite of these two authoritative statements, we come to the conclusion that there are 9.6 million over 65 years of age who have no protection for hospital or medical care. This is most disturbing because these people require more hospital, medical, and nursing care than younger people do.

Even the 40 percent who have coverage in the majority of cases do not have adequate protection. According to a study made by Health Information Foundation of New York in 1957, 70.5 percent of those over 65 years of age who had health coverage paid less than \$6 per month for such coverage. The dollar of our older citizens buys much less health protection than does the dollar of the younger citizens—this fact alone is clear evidence that the protection held by those over 65 fell far short in providing adequate coverage for their health needs.

The U.S. National Health Service reported that the average annual admission into the general hospitals for persons aged 65 and over was 114 per 1,000 population. This is 20 percent higher than that of the total population. Older people have greater need for doctors.

Persons aged 65 and over had a rate of 7.6 annual out-of-hospital contacts with doctors in 1957, as compared to 5.3 for the entire population. Older people, too, have greater need for nursing care.

A study made by the New York State Insurance Department in 1958 showed that the average days of confinement for males per person per year under a 120-day benefit insurance contract at 25 years of age was 0.53 day; at 55, 1.5 days; at 65, 2.43 days; at 75, 3.66 days; and at 85, it was 6.27 days.

Study after study has established the fact that the aged must consume their meager earnings, depend upon relatives and friends and on charity to meet their health needs. There are thousands of aged folks who simply do not secure the hospital and medical care they should because they do not have the money to pay for such care. Frequently in the press, on television and on radio, you hear the statement made that there are more people in mental hospitals than in all other hospitals combined. Unfortunately, a great many people in mental hospitals are aged people who have no other place to go. Some are there because of mental anxiety brought on by insecurity; some are merely victims of hardening of the arteries that result in complete loss of memory.

Thousands more are in nursing homes. Many of these homes are of dubious quality. One of the witnesses before the committee was quoted in the report of the Senate Subcommittee on Problems of the Aged and Aging as making the following observation:

* * * Charles Dickens, if he were alive today, would have a field day describing the living conditions, the isolation and the locations of many nursing homes for the aged in America.

The retirees of the Federal Government live on small incomes, and the older ones who have the more costly health bills have the smaller incomes. The average annuity as of June 30, 1958, was \$153 per month, and the average annuity for survivors was \$81 per month. The median annuity on June 30, 1959, was \$145.

Obviously, many retirees will be unable, under the provisions of this bill, to afford health benefits that would cost the maximum permitted under this bill, or \$9.20 a month. The amount of money available when applied to benefits for the 311,992 annuitants and 112,000 survivors will purchase less than the same amount would for active employees. To furnish these people with adequate health benefits would require a better contribution on the part of the Government than the 50-percent allocation provided for in this bill.

This bill is a clear recognition of the necessity for taking steps for helping the aged. We are happy that many private firms and others have realized that in the field of health those of advanced age are entitled to special consideration.

And there is a growing development in this field.

The American Medical Association at its recent convention held in Minneapolis, Minn., adopted a statement suggesting that physicians and surgeons agree to accept a level of compensation for medical services to the aged that would permit development of hospital insurance or benefits at a reduced premium rate. The Medical Society of California has already taken steps to hold down the medical bills of those who have passed the age of 65.

Many firms have realized the necessity for providing hospital coverage and health benefits for retirees are the General Electric Co.—which has had a plan in operation for 10 years; Sears, Roebuck & Co., which has had a plan operating for 8 years. Since March 1957, the Schlitz, Miller, and Pabst Brewing companies in Milwaukee have been paying 50 percent of the charges for their retired employees. The International Harvester Co., the Thompson Products Co. of Cleveland, and the Argonne National Laboratory in Illinois are merely a few of the many that have provided hospital coverage for retirees. There are hundreds of others that have seen the necessity for protecting those of advanced age.

Blue Cross and Blue Shield have encouraged those who have retired to continue their protection and have made it available for them in most instances without a raise in rates. The Continental Casualty Co. of Chicago recently started a campaign advertising their "65 Plus" hospitalization plan. Mutual of Omaha has a similar program. Certainly we should all be interested in seeing that all of the people who come in this age group are covered with proper health benefits, and a great step to provide such coverage will be achieved with the passage of the legislation now before this committee.

We heartily recommend its approval by this committee and its ultimate passage by Congress. We hope sincerely that a manner or means may be found to enact this legislation before Congress adjourns this year.

I was interested in the testimony of the Bureau of the Budget.

Certainly the expenditures of the Government will continue to grow. We have a population, as the chairman pointed out, of 177 million. According to the Department of Labor in 1975, we will

have 226 million. We will have at that time 25 million people over 65 years of age, and this problem is one of the most serious social problems before America today, and I think the passage of this legislation would not only be helpful to the retirees, but I think it would bring a lot of sunshine and hope into the lives of the older people of America, and we certainly heartily recommend the approval of this legislation by this committee, and we hope and sincerely pray that some manner will be found to have this legislation enacted into law so that it will become effective on July 1, 1960.

Senator NEUBERGER. Thank you very much, Mr. Keating. We particularly appreciate your being here, because I have had a good many conferences with you and Mr. William C. Doherty, the national president of the National Association of Letter Carriers about this Association of Retirement.

The distinguished chairman of the full committee, Senator Johnston of South Carolina, is here. He informs me we have two eminent visitors with us. I would like to introduce them if I may have the privilege. The first is Dr. Hans J. Orth, Minister in the Post Office Department of West German Republic.

We would be very happy if he would stand up so we may recognize him. [Applause.]

I understand that the other visitor—and I have a very particular interest in this—is the eminent August Neuburger, Member of the Bundestag of Germany. [Applause.]

I think I should tell you that my name is Neuburger, also. I do not know whether you speak English. Unfortunately, I do not speak German. Where are you in Germany?

Dr. ORTH. He is from Heidelberg.

Senator NEUBERGER. That is not very far, unless my German geography is poor, from where my great grandfather came.

My great grandfather was born in Mannheim. Isn't that close to Heidelberg?

Dr. ORTH. Yes.

Senator NEUBERGER. He emigrated from Germany in 1869.

I do want to say I am particularly honored to know that a member of the Bundestag of our friends and allies in Germany who share with us so many ideals and common traditions has the same name that I have, and I hope that I do not disgrace the nomenclature we both bear.

Thank you so much for being here.

Thank you, Mr. Chairman.

Senator JOHNSTON. I was glad to bring them in.

Senator NEUBERGER. I am delighted that you were here.

Our next witness is Mr. James A. Campbell, president, American Federation of Government Employees.

I want to emphasize to Mr. Campbell and the other witnesses—because we do have a long list and limited time—that, if you paraphrase your statements, they will appear in full in the hearing record. So we will use that as a clue.

Mr. CAMPBELL. Mr. Chairman, I will be glad to do that.

Senator NEUBERGER. I hate to make such a request, but the Senate is already in session and our time is limited. There may be a vote.

**STATEMENT OF JAMES A. CAMPBELL, PRESIDENT, AMERICAN
FEDERATION OF GOVERNMENT EMPLOYEES**

Mr. CAMPBELL. Mr. Chairman, for the record, I am James A. Campbell. I am president of the Federation of Government Employees.

Legislation to provide voluntary health-insurance benefits for Federal employees already retired is essential to round out the program for active-duty employees and for those who retire after June 30, 1960. That health-insurance program is presently receiving the consideration of Congress. The proposal has passed the Senate and only yesterday received the overwhelming approval of the House of Representatives.

It is with the thought that this supplement to the overall program is so desirable that the American Federation of Government Employees endorses the bill S. 2575, sponsored by the chairman of this subcommittee of the Senate Committee on Post Office and Civil Service and 16 of his colleagues in the Senate. We commend the author of the bill, Senator Neuberger, and we are grateful to him and to his cosponsors for displaying so active an interest in such a worthy cause.

The arguments in favor of speedy approval of this bill are obvious and this is frequently true of the reasons for legislation which has such a commendable objective and offers so many material advantages. We are particularly gratified that this bill provides health coverage for employees already retired on the same basis as the coverage which would be available to active employees or to those who retire after the larger program becomes effective. We would not approve any program offered to retired employees which did not afford them treatment equal to that of the active employees.

The need for health-insurance benefits is as great for these retired employees as it is for those who will be included in S. 2162. The retired person has had his income drastically reduced in relation to the income he has been accustomed to receive. This in no wise deprecates the tremendous benefit of a retirement annuity, but the fact is that it does represent lessened purchasing power at a time of life when personal ills increase in frequency and also pose in some instances an economic problem of disturbing proportions.

We owe this consideration to our retired employees—those who relinquished their positions before the more recent improvements in the retirement law. Thus we believe there is ample justification for the bill S. 2575 to provide the same premiums as those in S. 2162, with the same equal matching of payments by the Government and the retiree. The free choice of plans which is also present in the bill covering retirees likewise is a most desirable feature.

When S. 2575 was introduced, its sponsor informed the Senate that many large private employers who sponsor health benefit programs have included in those programs employees who have already retired. The Senator named several of these firms. Other well-known enterprises can be added to that list.

The full cost of health insurance benefits for retired employees is paid by the Aluminum Co. of America, American Can Co., American Seating Co., Armour & Co., Continental Can Co., Inc., and Lever Bros. The full cost of such benefits, not only for retired employees

but for their dependents as well, is paid by Dow Chemical Co., United States Rubber Co., Robert Gair, Inc. (division of Continental Can Co.), Kennecott Copper Corp. (Western Mining Divisions), Radio Corp. of America, and Sperry Gyroscope Co. The number of additional firms that share the cost of health insurance benefits with their workers and include retirees in those plans is considerable.

Employers in private industry have found it to their advantage to assist their employees to meet unexpected health contingencies. To an increasing extent this type of employee benefit program, which has been included in labor-management negotiations, is being extended to those employees who have retired. The Bureau of Labor Statistics in 1957 published the results of an analysis of 300 health and insurance benefit plans which were in effect in late 1955. This study indicated that 67 of the hospitalization plans, covering 1,784,000 workers, included retired employees, and 56 plans extended such benefits to the dependents of retired workers.

The National Industrial Conference Board recently completed a study of company medical and health programs. The survey covered only company-operated programs, and there were 242 U.S. firms and 36 Canadian companies included. The statement concerning service for retired employees contained in the conference board report of the results of this study is significant. It follows:

Many companies like to maintain not only friendly but also close relations with their retired employees. They invite them to company functions; they may even permit these employees to use certain company facilities. In line with this attitude, some companies extend to retired employees the privilege of using the company health service. Two-fifths of the U.S. cooperating companies and half the Canadian firms follow this practice. * * * In two-fifths of the U.S. firms and a third of the Canadian group * * * the service provided retired employees is the same as that offered to active duty employees.

This type of service is offered the retired employee apart from any arrangement the company may have in the way of a hospitalization plan. It shows clearly the extent to which private business goes in providing for the welfare of the worker who has served it satisfactorily.

The urgency of this legislation is virtually self-evident. The Federal Government is the largest single employer, and about 2 million employees would be subject to the terms of the legislation proposed for the benefit of persons in active service who will be eligible for retirement after June 30, 1960.

As that legislation is presently formulated, the health insurance benefits which it provides are to be available to active-duty employees and to those employees after their retirement, provided separation for that purpose does not take place prior to July 1, 1960.

At present there are 260,000 former Federal employees on the retirement roll who would benefit from S. 2575. They are a group to whom the Government owes genuine consideration. It certainly would not be fitting for the Government to deny reasonably adequate provision for health insurance to its active workers and to those who are yet to retire. For similar reasons, there can be no justification for denying that same protection to those who have completed their service in which many of them have acquired a disability directly traceable to that service.

This statement is supported by reliable statistical evidence. Of the 63,623 Federal employees who were retired for a disability in the period 1948 to 1956, inclusive, 46 percent were retired for cardio-

vascular diseases. It is not an exaggeration to say that the startlingly large proportion of disability retirements for reasons of heart disease definitely reflects the stress and tensions of employment.

Retired persons as a group need every assistance to make it possible for them to live in at least a minimum degree of comfort, and of course no one in this day and age would advocate less than that standard. The incidence of illness becomes greater in later life. Under conditions of modern living, this increasing likelihood of illness, which for many persons may be severe and prolonged, has its economic impact at a time of life when the individual may be ill prepared. Thus to advocate Government assistance in the form of hospitalization insurance is only to recommend humane treatment which is no less than anyone would hope to have available to those in his own family. From the standpoint of need, there is little necessity to prove that men and women in their later years are likely in many instances to require additional medical care as compared to their earlier life.

The employee annuitants on the Federal retirement roll include many who are in this category. The average age in recent years has been about 65 years. There are many on the roll who are well past that age. In fact, of the 207,529 employee annuitants on the roll at the end of the fiscal year 1957, who had retired on account of age and voluntary and involuntary separation, there were nearly 19,000, or 9 percent, who were 80 years or more.

The need for the assistance which hospitalization insurance would provide for those employees already on the retirement roll is unquestioned. Because of liberalization of the retirement law, retirement annuities have been increasing in amount in recent years, but many of those now in retirement left the service before the 1956 revision of the law, and some went out prior to preceding improvements. They are receiving retirement income which provides no cushion against the unusual demands for medical care which is likely to come as they advance in age. The trend in annuities even during the last few years indicates the need for assisting those already on the roll. Some figures will illustrate the extent of the need.

In the fiscal year 1949, the average monthly annuity of employee annuitants was \$90 a month. There were 53 percent receiving less than \$100 a month, and 98 percent less than \$200 a month. By 1958, despite material improvement in the retirement law and despite the depreciated purchasing value of the dollar, 34 percent of the employee annuitants on the roll were receiving less than \$100 a month, and the annuities of 72 percent were under \$200 a month. These figures plainly show that a large proportion of the annuitants are in no position to pay out even moderate sums for health insurance premiums.

There is of course a disturbing likelihood that those who are trying to subsist on the average annuity or less will attempt to get by without providing for necessary medical care. The retirement system was established to prevent Federal employees who had made Government service a career from becoming public wards. Because of changing economic conditions in recent years, that possibility is far from remote for many of them unless they are given the assistance that the bill before this committee will provide.

It should be borne in mind that the retirement roll is constantly undergoing change. Annuitants are being added each year, but many

annuitants are removed from the roll for any one of several reasons, death being the factor accounting for the greater number of removals. In fiscal year 1956 there were 12,950 annuitants dropped from the roll. Of this number 12,373 died during the year. Of the 14,290 persons dropped from the roll in fiscal year 1957, 13,440 died.

An important consideration with respect to the employee annuitants on the civil service retirement roll is that this group largely represents a career group. The average age during the last 10 years has consistently been 68 years, and average length of service 24 years. This means that many employees have served the Government 30 or 40 years. The number having relatively short service do not reach the retirement roll, for it requires a minimum of 5 years of Federal service to qualify for coverage. Unfortunately for the Government, a costly turnover is still occurring, and involves service of less than 5 years.

There are other reasons which might be offered in support of our advocacy of early approval of this bill to provide health insurance benefits for retired Federal employees. One sound reason is that to which the sponsor of the bill directed attention when he introduced the measure in the Senate. The provision which a large group of these retirees have already made for hospitalization benefits at their own expense will no longer be available, if the insurance program for active-duty employees is established to the exclusion of persons now retired even if those who support it wish it to be continued. The general program will cover future retirees, and as the number of those already retired dwindles, only the high-risk individuals will remain. They can scarcely expect their insurance coverage to be continued under such conditions by a commercial insurance company.

There are already precedents for the Federal Government making special provisions for the medical care of persons who have retired after Federal service and for persons having physical disabilities. Both officer and certain enlisted personnel of the military service are eligible for medical and hospital care after retirement. The 1956 amendments to the Social Security Act provided old age and survivors insurance benefits for workers who are totally and permanently disabled for substantial gainful work of any kind. They receive the same benefits at age 50 to which they would have been entitled at age 65, subject to a minimum of \$30 a month and a maximum of \$108.50 a month. This latter instance of beneficiaries of Federal legislation receiving aid because of disability is a further indication of a trend toward assisting those who have little or no income to care for their physical limitations or bodily ills.

There are therefore many cogent reasons why the bill S. 2575 should be reported favorably and enacted at an early date. The need for the protection it will provide for the group of Federal employees already retired has been demonstrated. They need this protection at a lesser cost than they themselves can provide, and the Government can benefit from this added means of attracting greater numbers of qualified persons to make Federal service a career.

Thank you, Mr. Chairman and members of the subcommittee for receiving our comment.

Senator NEUBERGER. Thank you, Mr. Campbell.

I want to say this, Mr. Campbell, the American Federation of Government employees has shown an interest in this legislation from

the very beginning, because your organization feels the responsibility not only to those who are active present employees of the Federal Government, but those who served the Federal Government in the past and have retired and face these great problems of medical costs and the protection of health. I want to thank you for all that the American Federation of Government employees in general and yourself particularly have done to help us bring S. 2575 to the advanced stage, at least what we hope is the advanced stage it is obtaining today.

Mr. CAMPBELL. Mr. Chairman, we believe this is one of the most pressing social problems we face, and this is a start in the direction of solving it.

Thank you very much for the opportunity to be here.

Senator NEUBERGER. Thank you so much for being here, Mr. Campbell. We are very grateful to you.

The next witness is Mr. Paul A. Nagle, president of the National Postal Transport Association.

STATEMENT OF PAUL A. NAGLE, PRESIDENT, NATIONAL POSTAL TRANSPORT ASSOCIATION

Mr. NAGLE. Mr. Chairman; copies of my statement have been submitted to the committee, and deferring to your request, I will simply paraphrase my remarks briefly, if I may.

I want very pointedly to extend commendations of the National Postal Transport Association and its substantial portion of retired members to you, as chairman of the subcommittee, for conducting these hearings, sponsoring the bill, and working so determinably toward approval of this legislation.

It is gratifying that seven of the nine members of the full committee have affixed their names to your bill, S. 2575, and three of the five members of the subcommittee have affixed their names to that bill. I think the fact that the Senate and the House have already approved S. 2612, with its provision for coverage of retirees in the future, indicates the Congress has already declared itself in support of the general concept of S. 2575, and this is one more reason why the bill should be approved speedily.

Yesterday, when the bill came on the floor of the House of Representatives, the gentleman from Pennsylvania, the Honorable Robert Corbett, said that since—in the 5 years since this type of legislation has been spoken about in the Congress of the United States, there have been numberless thousands of Federal employees who have suffered because of the lack of availability of this type of program. Now, if you project that thinking into the specific area of those currently retired, and if we do not follow closely upon the heels of S. 2162, then the hardship which the people have suffered for the last 5 years will be projected into the limitless future.

I think under these terms it is very difficult to appraise the value in dollars, and surely the \$15 million or \$20 million, which is estimated by the Bureau of the Budget that this bill would cost, is trifling by comparison with the social purpose it would serve.

I echo the sentiments of those people who preceded me on this stand to hope and to express the wish that before this Congress adjourns, even though we respect your need to carry on the work of the recess,

that it will be possible to bring this bill to a substantial degree of progress, and I hope and pray that certainly by July 1, 1960, the effective date of the bill, the machinery will be set up and the work will be accomplished.

Thank you very much, indeed, for the privilege of appearing before you.

Senator NEUBERGER. Thank you, Mr. Nagle. Your prepared statement will appear in the hearing record in full.

We appreciate the cooperation of yourself and your organization, the National Postal Transport Association, in supporting this bill and helping us to bring it before the committee, and, we hope, before the Senate.

Mr. NAGLE. Thank you, sir.

(The prepared statement of Mr. Nagle is as follows:)

STATEMENT OF PAUL A. NAGLE, PRESIDENT NATIONAL POSTAL TRANSPORT ASSOCIATION

It is a pleasure to appear before you this morning in support of S. 2575, a bill with the laudable purpose of insuring that hospitalization protection is made available to civil service annuitants.

Mr. Chairman, we salute you for having introduced S. 2575 and we are gratified that Chairman Olin D. Johnston of the full committee has joined you and 22 other Senators in sponsoring this bill. It is a wonderfully hopeful sign that seven of the nine members of the full Senate Committee on Post Office and Civil Service are sponsors of the bill and that three of the five members of this very subcommittee are included among the bill's sponsors.

This act signifies the very real awareness which you, Mr. Chairman, and members of your committee have displayed in regard to the economic and physical plight of our senior citizens.

In the National Postal Transport Association we have a very loyal core of members who have retired from the postal service. These people stand beside their brothers in active service and share the problems of active employees. Our retired members attend meetings religiously. They are unfailing in providing moral and financial support to the objectives of their younger associates in the National Postal Transport Association.

The enactment of S. 2575 is urgently necessary in order that these retired people who have been associated with their younger colleagues in hospitalization coverage may not find themselves suddenly isolated and left alone to hold an economically impossible health fortress. Unless the same health package, the same inducements, the same coverage is made available to retirees as is extended to active employees, it is inevitable that in countless cases active employees will withdraw from groups now including both active and retired civil servants with the end result that the retiree will be isolated and alone.

We have been emphasizing the fraternal aspect of the health problem of retirees. From a standpoint of simple social justice, from a perspective of equity, and on the basis of simple economic needs, it is essential that health insurance for retirees on a federally sponsored basis should be considered to be a part of the annuity package which is available to civil service annuitants.

My mother died early this year at the age of 79. Had the company sponsored plan in which my father participated during his active life not been made available to him following his retirement, and to my mother following the death of my father, there can be little question that mother's days on earth would have terminated earlier and under even more tragic circumstances.

S. 2162, reported on July 2, 1959, and now well on its way to the President's desk, extends health-hospitalization coverage to employees who retire following the effective date of the act. Accordingly, this committee has already declared itself in favor of the concept of health protection for Federal civil service annuitants.

Witness after witness came to the stand during the hearings on S. 94 to declare that the Federal Government has an obligation greater than that of private employers in the field of insuring protection to both active employees and retirees. The leaders in private medical groups and in responsible positions within Government have declared that coverage for retirees dare not be withheld simply on cost alone.

The National Postal Transport Association is of the opinion that this protection should, in fact, not any longer be withheld on any basis. We urge most respectfully that this subcommittee follow through for current annuitants the precedent to be established toward future annuitants. Economic, social, and fraternal needs combine to make mandatory the enactment of S. 2575.

Mr. Chairman, we applaud you and your distinguished committee for the humaneness of your present venture and we offer to you our extreme gratitude for being allowed to present our views.

Senator NEUBERGER. Our next witness is Mr. E. C. Hallbeck, legislative director of National Federation of Post Office Clerks.

We are glad to see you.

**STATEMENT OF E. C. HALLBECK, LEGISLATIVE DIRECTOR,
NATIONAL FEDERATION OF POST OFFICE CLERKS**

Mr. HALLBECK. Mr. Chairman and members of the subcommittee; I want to take advantage of your suggestion and submit a statement for the record, and I would like to paraphrase it very briefly.

Unlike some other employee organizations, ours is an organization limited for all practical purposes to active employees. Nevertheless, we realize that we owe a measure of support to those former members of the organization who have since retired, and we therefore very heartily endorse this legislation.

I think that every argument that has been advanced for a bill to benefit active employees is equally valid when applied to those now on the retirement rolls. I believe that the enactment of this legislation will go a long way toward curing what has to be an obvious injustice, and we only hope that the legislation can be enacted in time to make it effective as of July 1 of next year, when we hope, and I think there is pretty good ground for that hope now, that the legislation for active employees will become effective.

In that connection, Mr. Chairman, I want to take this opportunity to thank you personally, the members of this subcommittee, the staffs of the subcommittee of the House and the Senate, both, for the very excellent work they have done in bringing this legislation to the floor.

Senator NEUBERGER. Thank you very much, Mr. Hallbeck, and of course, we would not have achieved such success as we have with the active employees' health insurance were it not for the fine cooperation we have had from your organization and many others who represented our active Federal employees, as well as the retired Federal employees.

Your statement will appear in full in the hearing record.

(The statement of Mr. Hallbeck is as follows:)

**STATEMENT OF E. C. HALLBECK, LEGISLATIVE DIRECTOR, NATIONAL FEDERATION
OF POST OFFICE CLERKS**

Mr. Chairman and members of the subcommittee, in order to identify myself for the record, I am E. C. Hallbeck, legislative director of the National Federation of Post Office Clerks with offices at 817 14th Street NW., Washington, D.C. I am appearing this morning in support of the bill S. 2575.

With the expected early enactment of the bill S. 2162 to provide a health benefits program for Federal employees, it seems to me that it is incumbent upon the Congress to enact further legislation providing similar benefits for former employees now on the civil service retirement rolls.

No one seriously disputes the need for such legislation. Every reason that has been advanced for the enactment of legislation covering active employees is equally valid in the case of former employees now on the retirement rolls. In

fact, it seems to me that there may be an even greater obligation—so far as the Federal Government is concerned—to make some contribution toward a health benefits program for retired employees because many of those employees during the course of their active service were paid at a rate that did not make it possible for them to purchase the kind of protection that they are so sorely in need of at this time.

To my mind, the enactment of the legislation now before this subcommittee would be at best a delayed benefit that annuitants earned in the course of their employment. Those who will benefit by this legislation are for the most part in an age group that makes it virtually impossible to purchase this sort of protection from their own funds. Their annuities in most cases do little more than keep body and soul together and the cost of individual protection is beyond their reach. Because of the benefits of a group rate, and with the Government sharing half the cost, they will be able as the result of the enactment of the bill S. 2575 to secure a reasonably adequate coverage at a cost which they probably can afford to pay.

The rate of hospitalization and illness is far greater among those past 65 years of age. In all too many instances illness for these people results either in a lack of adequate medical care, or, as is too often the case, they become a charge against the public welfare. Certainly the Federal Government has a moral and a social responsibility for action in this field.

I think it is evident that the trend in industry is to extend this form of protection to former employees. Virtually all hospitalization and health programs in private industry now provide for a continuation of benefits after retirement or pension and this, of course, is also true with respect to the pending legislation for active employees that will become effective next July. However, many private employers have extended the benefits to retirees and there is certainly ample justification for similar action on the part of the Federal Government.

I hope that this subcommittee will speedily approve the measure before you in order that the Committee on Post Office and Civil Service can report the bill at this session of Congress, so that it can become effective at the same time the legislation for active employees becomes effective in July of next year.

Thank you.

Senator NEUBERGER. The next witness is Thomas G. Walters, operations director, Government Employees' Council, AFL-CIO.

Mr. WALTERS. Thank you, Mr. Chairman.

Senator NEUBERGER. Thank you, Mr. Walters, for being here.

STATEMENT OF THOMAS G. WALTERS, OPERATIONS DIRECTOR, GOVERNMENT EMPLOYEES' COUNCIL, AFL-CIO

Mr. WALTERS. With your permission, I should like to file a short statement and briefly state that from the inception of this medical and hospital plan it has been the desire and the wish of the member unions of the Government Employees' Council that both active and retired people be covered.

You will recall the first conferences that were held between yourself and members of the council, that we very strongly emphasized the great need for the coverage of both active and retired people. Therefore, we are extremely happy that these hearings are being held, and assure you that the 24 members of the Government Employees' Council will do all we can to aid and assist in expediting this legislation.

I would like to associate myself with the statements made by the previous witnesses on this legislation, with the exception, of course, of the Civil Service Commissioners and the Bureau of the Budget.

We feel that this legislation would perhaps serve the needs of people less able to take care of themselves than any type of legislation that has been before this or any other committee in a long, long time. We trust that even during this last days of this session that the House

and Senate will approve the intent of the legislation that is before this committee this morning.

Thank you very kindly, and we certainly assure you that we appreciate your interest in this field and the interest of the members of your colleagues and the staff of this committee.

Senator NEUBERGER. Thank you so much, Mr. Walters.

Your statement will appear in full in the hearing record.

We are very pleased to have the endorsement of S. 2575 by the Government Employees' Council.

Mr. WALTERS. Thank you.

(The statement of Mr. Walters is as follows:)

STATEMENT OF THOMAS G. WALTERS, OPERATIONS DIRECTOR, GOVERNMENT EMPLOYEES' COUNCIL

Mr. Chairman and members of the subcommittee, my name is Thomas G. Walters, operations director of the Government Employees' Council. In the council we have 24 member unions whose membership, in whole or in part, are Federal and postal employees, with headquarters at 100 Indiana Avenue NW., Washington, D.C., telephone Executive 3-2820.

Mr. Chairman and members of the subcommittee, we greatly appreciate the introduction of S. 2575 and express our thanks and appreciation to the Senators who cosponsored this legislation—Senators Neuberger, Johnston, Carlson, Monroney, Yarborough, Langer, Clark, Smathers, Javits, Magnuson, Pastore, Moss, Keating, Jackson, Kefauver, Randolph, Gruening, Humphrey, Beall, Capehart, Butler, Hartke, and Martin.

For approximately 10 years the Government Employees' Council have placed high on their agenda each year, legislation to provide hospital and medical care for all employees and their dependents, and all retired employees and their dependants, of the Federal and Postal Service.

Five years ago the Government Employees' Council appointed a special subcommittee to study the hospital and medical question from all angles and this committee has devoted much time and effort to legislation that would provide hospital and medical care to all employees and to all retired employees. We are happy that during the 1st session of the 86th Congress, success appears to be in the offing.

We extend to you, Mr. Chairman, and to Senator Johnston, chairman of the Senate Post Office and Civil Service Committee, and to all members of the committee, our thanks and appreciation for hearings being scheduled on this meritorious legislation to partially provide medical and hospital benefits for our retired people and their dependents.

We are delighted to have the opportunity and privilege of placing the stamp of approval of the Government Employees' Council on the intent of S. 2575 and trust that during these, the closing days of the 86th Congress, this legislation will be approved.

Thanks for the privilege of appearing before this committee and endorsing this much-needed legislation.

Senator NEUBERGER. The next witness is Mr. Vaux Owen, president, National Federation of Federal Employees.

STATEMENT OF VAUX OWEN, PRESIDENT, NATIONAL FEDERATION OF FEDERAL EMPLOYEES

Mr. OWEN. Mr. Chairman, in deference to the desires of the committee, and the witnesses who are yet to appear, I should like to simply file my statement and let it be made a part of the record as the chairman has suggested.

I would like to make this brief comment, Mr. Chairman, regarding the position taken by the administration as expressed by the Chairman of the Civil Service Commission and Mr. Staats of the Bureau of the Budget.

We are disappointed, as the chairman is, that the administration takes this position, I would like to point out this fact I am sure the committee is going to take into consideration, and that is, that these retirees went into retirement on a fixed number of dollars. The value of those dollars has decreased as the cost of living has gone up, and what they thought they would have in the way of retirement benefits is diminishing in their hands, and for that reason it seems to me there is some obligation on the part of the Government to make good the full amount of the contract that would be represented by a stable dollar.

I know that the members of the committee, the Members of the Congress, as well as administration, are interested in this problem of the budget, and the expenses of the Government. I would point out in connection with that that the value of the dollar also reduces the budget in the sense that you are paying off the national debt in dollars that are far less in value than many of the dollars by which that debt was incurred.

If we are going to have some reduction in expenditures, Mr. Chairman, it would seem to me that it would be a poor policy generally to begin it with the older people who have rendered faithful service to the Government and who now are in retirement and in whose hands the dollars that they expected to be worth 100 cents on the dollar are decreasing in value.

Thank you, Mr. Chairman, for this opportunity to appear.

I have stated in my formal statement our great appreciation to you, Mr. Chairman, to the chairman of the full committee, and to the members of the committee, our great appreciation of your action in getting this bill introduced and having hearings on it. I simply want to reiterate that appreciation now.

Senator NEUBERGER. Thank you very much, Mr. Owen. Of course, we are correspondingly grateful for the interest and support of you and the National Federation of Federal Employees.

Mr. OWEN. Thank you.

(The statement of Mr. Owen is as follows:)

STATEMENT OF VAUX OWEN, PRESIDENT, NATIONAL FEDERATION OF FEDERAL EMPLOYEES

Mr. Chairman and members of the committee, my name is Vaux Owen. I am president of the National Federation of Federal Employees. The NFFE is an independent organization with members in all departments and agencies throughout this country and overseas, and in all grades from the lowest to the highest.

Many continue their membership in the National Federation of Federal Employees when they retire from the Federal service. Thus, our membership includes retired as well as active Federal employees.

I wish to express to the committee our wholehearted approval of the measure now under consideration, S. 2575.

The highly commendable purpose of this bill is to provide health benefits coverage for retired Federal employees to correspond as nearly as practicable to the benefits for active employees and future retirees who are covered under S. 2162. The latter bill has passed the Senate by a vote of 81 to 4 and as amended it has received a unanimous favorable report from the Post Office and Civil Service Committee of the House of Representatives.

The strong bipartisan support which has been accorded to S. 2162 both in the Senate and in the House is indicated also in behalf of S. 2575, which is sponsored by 17 Senators representing both parties.

This kind of support is significant, since it emphasizes the wide recognition of the need for the legislation. The NFFE also has been gratified to note that the

objectives of S. 2575 are regarded as essential by so many and such various organizations and authorities.

Mr. Chairman, it would be difficult to overemphasize the urgency of the need for this legislation.

The incomes and resources of retired Federal employees for the most part are limited and increasingly inadequate to meet the burdens of constantly rising costs of all kinds. There is no group of persons in this country in greater need of the kind of health protection provided under S. 2575 than these former devoted employees of the Federal Government.

Many progressive business and industrial firms have sponsored plans which give such protection to their retired employees. The State of New York also has put such a plan into effect. In enacting S. 2575, the Congress would be taking a forward step but not an unprecedented one by any means.

The National Federation of Federal Employees, which has persistently and consistently urged the enactment of a voluntary health coverage plan for active Federal employees, has been no less strongly convinced that retired employees should be given an equal opportunity to participate in a similar program. We agreed, however, with the view expressed by the sponsors of that legislation in the Senate that the soundest procedure would be to provide for the retired employees in a separate bill.

That has been done by means of S. 2575, and at this time we wish to express to the chairman of the committee, Senator Johnston, to Senator Neuberger, and to the other sponsors of the legislation our appreciation both for their deep interest in this problem and for the promptness with which this legislation has been introduced following upon the action on S. 2162.

Mr. Chairman, we believe that in its main provisions and certainly in its overall objective S. 2575, like S. 2162, is a good bill. As in the case of S. 2162, we are convinced that the prime need now is to get a program started. We hope that action on the legislation will not be delayed by differences of opinion on questions and issues which, while important, are not fundamental.

For example, we believe that a strong case can be made for a two-thirds payment of the cost by the Government instead of the 50-50 formula proposed in the legislation. That was true in the case of S. 2162; it is certainly true in the case of S. 2575.

But we are fully cognizant of the practical considerations involved; namely, that the 50-50 formula represents one which, in the considered judgment of the sympathetic sponsors of this legislation, probably can be approved. The administration, as has been repeatedly stated, has favored a payment of two-thirds by the employees and one-third by the Government. The 50-50 formula is midway between the two points of view.

The NFFE's position is that action in this area already has been too long delayed. The time has come to remove the roadblocks and move forward. That has been done effectively in this bill as it has been done in S. 2162.

On every count, Mr. Chairman, S. 2575 is deserving of support and favorable action, so that our retired employees may face the future with some reasonable assurance that long periods of illness will not leave them destitute and so that they may, by their own contributions, help to defray the costs of illnesses which inevitably will strike in the months and years ahead.

In connection with this matter of cost, it has been pointed out, and properly so, that the estimated first year's cost to the Federal Government of \$20 million would be reduced over the years as the number of presently retired employees declines. But surely even if the cost were to be maintained at \$20 million annually, that would be a modest price indeed to pay for health protection for scores of thousands of aging retirees who have behind them long years of loyal service to the Federal Government. Actually, this is the soundest and most practical approach available to the deeply serious problem of financing the cost of illness, and from the standpoint of the Government no less than that of the participant in the program. Our country will be the stronger for a plan under which retired Federal employees can systematically and voluntarily provide, with reasonable Government participation, for the cost of health benefits.

Mr. Chairman, on behalf of the National Federation of Federal Employees I wish again to express our appreciation for the interest which has resulted in the drafting and introduction of S. 2575, and to urge a favorable report on the measure so that further and final legislative action may be secured as soon as possible.

Senator NEUBERGER. The next witness is Mr. Charles R. Larson, president of the National Rural Letter Carriers Association.

Mr. Larson, it is nice to see you again. I remember meeting you at the Sheraton Park Hotel. I had the privilege of addressing your association last month.

Mr. LARSON. Thank you, Mr. Chairman. We were happy to have the privilege of your presence at our meeting.

Senator NEUBERGER. Proceed with your statement, sir.

STATEMENT OF CHARLES R. LARSON, PRESIDENT, THE NATIONAL RURAL LETTER CARRIERS ASSOCIATION

Mr. LARSON. Mr. Chairman, I am Charles R. Larson, president of the National Rural Letter Carriers Association representing regular, substitute, and retired rural carriers.

We are pleased to appear before this committee and express our wholehearted endorsement of S. 2575 which provides Government participation in a health insurance program for retired employees and their dependents. The desirability and the evident need for this legislation is not open to question. Our annuitants find themselves caught in a struggle to meet the ever-increasing costs of the necessities of life on a comparatively low income. The cost of medical care is rising faster than any other component of the cost-of-living index. Comparisons as of July 1959, show an increase of more than 4 percent over a year ago; and medical care costs are now more than 50 percent higher than they were 10 years ago.

Those who are retired and currently insured have found themselves in most plans, hit with one round of premium increase after another. Many plans have increased premium rates 20 percent or 30 percent within the past year. These sharp increases have brought multiple problems for everyone but they have especially hit out retirees. Continuing insurance coverage is also frequently impossible because of the cancellation provisions of many policies which result in denial of insurance protection following certain illnesses or due to attained age. Such persons of the older group cannot solve this difficult problem in that they are now considered uninsurable and cannot purchase protection against hospital and medical costs. This faithful group of former employees deserve treatment comparable to that which we trust will soon become law for active employees.

We know that you, Mr. Chairman, are fully cognizant of both the merits and need of the provisions of S. 2575. We wish to take this opportunity to commend you, Senator Neuberger, the other members of the Senate Post Office and Civil Service Committee and other Senators for sponsoring this important and progressive legislation for the benefit of our faithful retired employee group and their dependents.

We trust that the valuable information already on hand by the committee and the additional information which may be secured through these hearings may result in prompt favorable action on this legislation.

Mr. Chairman, we appreciate the opportunity to appear and express our views and we urge the committee to expedite action on this vital piece of legislation.

Senator NEUBERGER. We are grateful for the interest and the endorsement of S. 2575 by the National Rural Letter Carriers Association.

Thank you so much for being here.

Mr. LARSON. Thank you, sir.

Senator NEUBERGER. Our next witness is Mr. Daniel Jaspán, legislative representative of the National Association of Postal Supervisors.

**STATEMENT OF DANIEL JASPÁN, LEGISLATIVE REPRESENTATIVE,
NATIONAL ASSOCIATION OF POSTAL SUPERVISORS**

Mr. JASPÁN. Mr. Chairman, my name is Daniel Jaspán. I am the legislative representative of the National Association of Postal Supervisors, with a membership of more than 23,000 and consisting of supervisors in the postal field service.

Our association is deeply grateful to the chairman of the subcommittee, Senator Neuberger, both for his efforts in behalf of the active employees, now apparently headed for a successful conclusion by the House action yesterday in passing S. 2162 and for his interest in a continually increasing number of faithful employees who have retired from active duty after literally devoting the best years of their lives to their various agencies in the Federal service.

Naturally, we were disappointed when we found that certain objections to the inclusion of those already retired forced their elimination from the original bill, S. 94. We were greatly heartened, however, when the promise was made by members of this committee that an effort would be made to provide health insurance for these often-forgotten people, our senior citizens.

There is probably no group of people who have suffered more under the two-pronged force of trying to live on fixed annuities during a prolonged inflationary period and the increased cost of living in general combined with the increased cost of medical, hospitalization, and surgical services at the time these services are most needed. It is no secret that, as we grow older, our health deteriorates and we become increasingly dependent on the various phases of medical service. It is also well known that the costs of these services have constantly increased so that those living on annuities are unable to afford necessary attention.

Our association fully endorses S. 2575. We hope that the members of this subcommittee will take immediate and favorable action, and that the full committee will do its utmost to have favorable action taken by the Congress so that the provisions of the bill will be effective at the same time as those in S. 2162. It is also our desire that, when arrangements are made with the various insurers and carriers, there will be the maximum coverage possible at a minimum cost inasmuch as any deductions from the annuity payments will make it more difficult for those retired to maintain a decent standard of living. It must be remembered that each and every person who has retired has already received the equivalent of a salary decrease as of his retirement date. Any further deductions will make it that much more difficult for them to exist.

Mr. Chairman, we have seen the retired people first receiving promises of some action in the original S. 94 and they were left out of that, and then the present employees who will retire by July of next year were also eliminated from S. 162 by the House action.

That is one of the reasons we are very grateful you showed such an interest and want to see that those already retired and those who will retire before July of next year have some coverage.

So far we have heard a lot of people testify, and practically everybody is in favor of the principle, the only objection seems to be the dollar cost.

Apparently, there is no other reason for objecting, and it seems to me that one of the things that should be taken into consideration is the human value rather than the mere dollar cost.

I feel certain this committee feels that way about it, that that is more important than how much the bill will cost.

I hope action will take place soon to have the bill passed by both Houses and enacted into law.

We fully endorse this bill and hope that the cost will be kept to a minimum to the employee, that is, to the retired employee, because he has already taken a very severe wage cut as of the date of his retirement.

I just want to thank you, Mr. Chairman, too, for your interest in having health legislation enacted for the active employees, and apparently we will see a successful completion of that program, due largely to your efforts and that of the other members of this committee.

Thank you very much, Mr. Chairman.

Senator NEUBERGER. Thank you, Mr. Jaspán: I just want to say this, if we do succeed in passing and then acting health legislation at this session for active employees, the next session for retired employees I believe will be a milestone in the history of employment in the Federal Government.

Mr. JASPÁN. It certainly will, Mr. Chairman. It will bring the Federal Government more in line with private industry.

Senator NEUBERGER. With the more enlightened segments of private industry where it should have been long ago.

Mr. JASPÁN. That is correct.

Senator NEUBERGER. Thank you, Mr. Jaspán.

The next witness is Mr. William H. Ryan, president, district 44, International Association of Machinists, AFL-CIO.

Mr. Ryan is not here, but the hearing record will be kept open until the end of the week. Today is Wednesday, we will keep it open until Friday at 5 o'clock. If there are any associates of Mr. Ryan, I would appreciate their informing him we will be glad to receive his statement for inclusion in the record.

Mr. Roy M. North is the next witness. He is legislative representative of the National Association of Postmasters.

STATEMENT OF ROY M. NORTH, LEGISLATIVE REPRESENTATIVE, NATIONAL ASSOCIATION OF POSTMASTERS

Mr. NORTH. My name is Roy M. North and I am legislative representative of the National Association of Postmasters. Our membership consists of more than 32,000 postmasters, or over 91 percent of the total number of postmasters in the Nation.

It is a pleasure to appear before you today in full support of the principles of S. 2575, Federal Annuity Health Benefits Act of 1959. As further evidence of our interest, I have with me the manager of our health insurance program, Charles D. Hertzog.

Also, please permit me to express the intense regret of the president of our association, Edward L. Baker, postmaster, Detroit, Mich.; Charles E. Puskar, executive secretary-treasurer, postmaster, Im-

perial, Pa; and Lewis E. Moore, national legislative chairman, postmaster, Nashville, Tenn., in not being able to appear before you today but they asked that I convey to you their fervent hope that an annuitant insurance program will shortly be enacted into law.

Our association, Mr. Chairman, is most appreciative of your awareness of the need for health protection of the more than 300,000 retirees, including thousands of former postmasters, who have given many years of dedicated service to the Government. We also look with pride upon our friendship with the other members of your subcommittee who have always been helpful in resolving the problems of postmasters and other postal personnel.

It is most significant, Mr. Chairman, of the merits of this proposed legislation that 22 of our friends in the Senate, your colleagues, join with you in sponsorship of S. 2575.

It is expected, of course, that S. 2162, Federal Employees Health Benefits Act of 1959, will shortly be enacted into law. Certainly, there can be no objection to an annuitants health program following the needed benefits for active personnel.

S. 2575 provides a maximum contribution of \$3.80 for the individual and \$9.20 monthly for the family plan, with a like contribution by the Government.

It further provides that benefits under the annuitant program will correspond as nearly as practicable to the benefits provided under the employees' plan. Membership in the plan is elective to the annuitant, effective date is placed at July 1, 1960, and in other details the measure is similar to that of the employees' health benefits.

The interest of our membership in health insurance is vividly evidenced to us within the past 10 days by many letters from postmasters retiring before July 1, 1960, who are greatly disturbed over the deletion by the House committee of the provision covering those retiring between date of enactment and July 1, 1960. Of course, if the House amendment prevails, this bill will relieve that situation.

Our association gives wholehearted support to S. 2575, and feels that this bill together with S. 2162 constitute the most important legislation that has confronted Congress in many years in the field of Government personnel.

We are most appreciative, Mr. Chairman, in your interest in the health protection of those who have retired.

We appreciate very much your comment on the floor of the Senate, that we would be callous indeed if we did not consider the dedicated people over the years in Government service, who are not taken care of with health protection in S. 2162.

It was with no lack of interest, Mr. Chairman, that the president of our association, Edward L. Baker, postmaster of Detroit, our secretary-treasurer, Imperial, Pa, and our legislative chairman, Lewis E. Moore, are not present, but they want me to express to you, Mr. Chairman, their support of this measure. We think it is particularly significant that more than 20 Members of the Senate, your colleagues, and our friends, join with you in S. 2575. We certainly hope that this program will be enacted into law this session; if not, at the beginning of the next session, becoming effective July 1, 1960.

We want to thank you, Mr. Chairman, for the privilege of submitting this testimony.

Senator NEUBERGER. Mr. North, we appreciate your coming.

Mr. NORTH. Thank you.

Senator NEUBERGER. Our next witness is Mr. Ross A. Messer, legislative representative, National Association of Post Office and General Service Maintenance Employees.

**STATEMENT OF ROSS A. MESSER, LEGISLATIVE REPRESENTATIVE,
NATIONAL ASSOCIATION OF POST OFFICE AND GENERAL
SERVICE MAINTENANCE EMPLOYEES**

Mr. MESSER. Mr. Chairman, for the record, I am Ross Messer, National Association of Post Office and General Service Maintenance Employees. I have no prepared statement.

I would like to place our association on record endorsing S. 2575, in the hope it will become effect on July 1 of next year.

I want to thank the committee and the staff for the fine work they have done on the active employees bill, and also on this proposal.

Thank you very much.

Senator NEUBERGER. Thank you, not only for your brevity, but more important for your support of our bill, S. 2575.

Do you have any comments to make, Mr. Brawley, before we recess?

Mr. BRAWLEY. No.

Senator NEUBERGER. Mr. Paschal, do you have any comments?

Mr. PASCHAL. No, Senator.

Senator NEUBERGER. I want to say before we recess, I am very grateful for the presence here earlier of the distinguished chairman of the committee, Senator Johnston, Senator Carlson, Senator Yarborough, and Senator Jordan. They all have their committee commitments, but I am pleased they were here for part of our testimony today.

The hearing record will be kept open until 5 o'clock Friday of this week. I will file for inclusion in the hearing record a statement by Alfred F. Beiter, president of the National Customs Service Association, a letter from Mr. J. Graham Parsons, chairman of the board of directors of the American Foreign Service Association, and a statement by John W. MacKay, president of the National Postal Clerks Union. They will appear as an appendix to the hearing record.

I want to express our gratitude to those who cooperated with us in appearing here, both on behalf of the Government departments, the administration, and those who represented the various employee groups.

I want to repeat what I said earlier, that I think we have nearly achieved a mile stone in the Senate and the House in passing the first health insurance legislation ever provided for active employees of the Federal Government, and it is going to be our goal to pass some corresponding and collateral legislation during the next session for the retired employees of the Federal Government.

Again I want to repeat, we appreciate the cooperation of those who have been with us today, and the hearing record will be kept open until 5 o'clock on Friday for any supplementary statements which will appear in the record in full.

We will stand in recess.

(Whereupon, at 11:10 a.m., the subcommittee adjourned, to reconvene at the call of the Chair.)

1. The first part of the document is a letter from the President of the United States to the Congress, dated January 3, 1862. The letter is signed by Abraham Lincoln and is addressed to the Senate and House of Representatives. The letter discusses the state of the Union and the progress of the war against the Confederacy. It also mentions the Emancipation Proclamation and the importance of the Union's cause.

2. The second part of the document is a report from the Secretary of the War Department, dated January 10, 1862. The report is signed by Edwin M. Stanton and is addressed to the President. The report discusses the military situation in the South and the progress of the Union's army. It also mentions the importance of the Union's cause and the need for more resources.

3. The third part of the document is a report from the Secretary of the Navy Department, dated January 15, 1862. The report is signed by Gideon Welles and is addressed to the President. The report discusses the state of the Navy and the progress of the Union's fleet. It also mentions the importance of the Union's cause and the need for more resources.

4. The fourth part of the document is a report from the Secretary of the Treasury Department, dated January 20, 1862. The report is signed by Salmon P. Chase and is addressed to the President. The report discusses the state of the Treasury and the progress of the Union's finances. It also mentions the importance of the Union's cause and the need for more resources.

5. The fifth part of the document is a report from the Secretary of the Interior Department, dated January 25, 1862. The report is signed by Caleb B. Smith and is addressed to the President. The report discusses the state of the Interior and the progress of the Union's land policy. It also mentions the importance of the Union's cause and the need for more resources.

6. The sixth part of the document is a report from the Secretary of the Education Department, dated February 1, 1862. The report is signed by William A. H. Murray and is addressed to the President. The report discusses the state of the Education Department and the progress of the Union's educational policy. It also mentions the importance of the Union's cause and the need for more resources.

7. The seventh part of the document is a report from the Secretary of the Agriculture Department, dated February 5, 1862. The report is signed by Isaac Newton Phelps Stokes and is addressed to the President. The report discusses the state of the Agriculture Department and the progress of the Union's agricultural policy. It also mentions the importance of the Union's cause and the need for more resources.

8. The eighth part of the document is a report from the Secretary of the Commerce Department, dated February 10, 1862. The report is signed by John C. Calhoun and is addressed to the President. The report discusses the state of the Commerce Department and the progress of the Union's commercial policy. It also mentions the importance of the Union's cause and the need for more resources.

9. The ninth part of the document is a report from the Secretary of the War Department, dated February 15, 1862. The report is signed by Edwin M. Stanton and is addressed to the President. The report discusses the state of the War Department and the progress of the Union's military policy. It also mentions the importance of the Union's cause and the need for more resources.

10. The tenth part of the document is a report from the Secretary of the Navy Department, dated February 20, 1862. The report is signed by Gideon Welles and is addressed to the President. The report discusses the state of the Navy Department and the progress of the Union's naval policy. It also mentions the importance of the Union's cause and the need for more resources.

APPENDIX

(At the direction of Senator Neuberger, the following statements and communications were ordered to be printed in the record:)

STATEMENT OF ALFRED F. BEITER, PRESIDENT, NATIONAL CUSTOMS SERVICE ASSOCIATION

Mr. Chairman, the National Customs Service Association, which I represent, is composed entirely of Government employees, the great majority of whom are long-time career employees in positions subject to the Classification Act. The membership is distributed throughout the United States, with nearly 200 in the new States of Alaska and Hawaii. We have members also in Puerto Rico, the Virgin Islands, and the Dominion of Canada.

I appreciate the opportunity the committee has afforded to present our views on the subject of Government contributions toward personal health service benefits for retired Government employees.

I am here to heartily commend this subcommittee for holding hearings on the compelling problem of a health and hospital insurance program for the retired Government employees, and to urge that a bill be reported for the consideration of the Senate.

S. 2575 would provide health benefits for approximately 260,000 retired Federal employees. To be eligible for benefits, the annuitant must have had a minimum of 12 or more years of service and retired on immediate annuity. Those retired on the basis of disability would also be covered, as well as surviving spouses and minor children.

Monthly premiums, not to exceed \$3.80 for an individual or \$9.20 for a family, would be matched equally on a 50-50 basis by the Federal Government. The retired annuitant would have a choice of various health insurance plans, including those offered by Blue Cross-Blue Shield, insurance companies, the Group Health Association, as well as employee association plans now in effect.

Specific health benefits would be negotiated by the Civil Service Commission with representatives of the various health insurance plans involved. Annuitants would be given an opportunity to elect coverage during a period of 90 days after July 1, 1960.

Insurance plans, which permit retirees to continue health benefits, have been adopted by a number of large private employers; including Eastman Kodak, Goodyear Tire, and Minnesota Mining & Manufacturing. The State of New York and the Canadian Government are also operating programs which provide voluntary health insurance benefits for retirees. The bill has been actively endorsed by the American Medical Association as well as representatives of the insurance industry and the Blue Cross Association.

In my opinion, the voluntary health insurance coverage of senior citizens has too long been neglected. This legislation is a much needed step toward meeting the health requirements of our older citizens. We cannot continue to ignore the existence of a health problem for our elderly citizens, those in the age group which needs health service coverage more than any segment of our people. This program, financed on a voluntary and contributory basis, is certainly a step in the right direction. I am confident that this distinguished subcommittee will report a practical and realistic bill to meet the problem.

AMERICAN FOREIGN SERVICE ASSOCIATION,
Washington, D.C., August 31, 1959.

HON. RICHARD L. NEUBERGER,
U.S. Senate.

DEAR SENATOR NEUBERGER: The Foreign Service Association has noted with interest and appreciation the action which is being taken on S. 2575, the bill which you introduced on August 21 and which would provide, for retired civil

service and Foreign Service personnel, a broad health benefits program similar to that envisaged in S. 2162 for Government employees still in active service.

The consideration which you and the cosponsors of this bill have shown to civilian annuitants in general is a matter of sincere gratification to the association. We are, of course, particularly grateful for the inclusion of Foreign Service annuitants within the scope of the bill's coverage. You are, I know, fully aware of the unusual health risks which are encountered by Foreign Service personnel during the course of their protracted service abroad. The benefits which would accrue to annuitants under the provisions of this bill are accordingly, of the greatest possible interest and importance to retired Foreign Service personnel, and in particular to those who retired in former years on pensions which do not compare with those now earned under existing pay scales.

While it is not prudent, nor even possible, to endorse all the provisions of a bill which is itself contingent upon another piece of legislation (S. 2162) which has not yet passed, we do wish you to know that we strongly support the objectives of S. 2575 and earnestly hope that the Congress will find it possible to take favorable action on this bill before the end of the present session.

Sincerely yours,

J. GRAHAM PARSONS,
Chairman, Board of Directors.

STATEMENT OF JOHN W. MACKEY, PRESIDENT, NATIONAL POSTAL CLERKS UNION

My name is John W. MacKay and I am serving as president of the National Postal Clerks Union located at 918 F Street NW., Washington 4, D.C. We represent approximately 25,000 post office clerks throughout the Nation.

At the outset, Mr. Chairman, may we express our appreciation for the privilege of presenting our statement to your committee on this very important legislation. We also wish to express our appreciation to you and to Senator Olin D. Johnston, who inspired this bill, as well as the 20-odd other Senators who joined as cosponsors.

We wish to record ourselves in complete support of the principles generally enunciated in S. 2575. It should be fairly obvious that those former Federal employees, who have dedicated a lifetime of service to their country, are probably in greater need of medical insurance than any other group of people. This measure proposes to extend to them a health benefits program almost identical to that now being considered for active Federal employees.

While we are in accord with the principles and most of the provisions of S. 2575, we would like to offer the following amendment for consideration by this committee. We submit that section 4, which provides for maximum contributions, both by the retired employee and the Government, should contain a provision for minimum contributions as is now provided in S. 2162. Such an amendment would insure that retired employees would be offered a minimum health benefits program of real value. Without such a provision, the Commission could conceivably set a floor on the contributions low enough to provide only an unattractive and unacceptable program.

In conclusion, Mr. Chairman, and members of the subcommittee, we strongly support and endorse the basic principles of S. 2575. We are hopeful you will give special consideration to the amendment we have suggested. May we assure you Mr. Chairman, there is urgent and abundant need for this legislation by retired employees. We sincerely appreciate your evident interest and are grateful for the opportunity to express our sentiments on this bill.

STATEMENT OF DILLARD B. LASSETER, EXECUTIVE OFFICER, ORGANIZATION OF PROFESSIONAL EMPLOYEES OF THE U.S. DEPARTMENT OF AGRICULTURE

The Organization of Professional Employees of the U.S. Department of Agriculture, commonly referred to as OPEDA, was established in 1929 to represent employees in professional, scientific, technical, and administrative work. Included in our present membership of 5,200 are quite a few (about 5 percent) who have retired during the past few years.

OPEDA recently went on record strongly endorsing S. 2162, providing health coverage for active Federal employees and those who retire after July 1, 1960, which we consider one of the most constructive pieces of legislation ever to be proposed on behalf of Federal employees. We were glad to see the measure pass the Senate by such a large majority and are hopefully awaiting its final passage and enactment.

We commend the authors of S. 2575, and this committee for its consideration of legislation to provide similar health benefits for present retirees and Federal employees who will retire prior to July 1, 1960. We should like to call attention to Senator Neuberger's remarks in introducing the bill:

"If present retirees are not included in health benefits legislation on the same basis as future retirees will be included under the Federal Employees Health Benefits Act of 1959, large groups of retired employees may be penalized because they may lose such health insurance as they now have, or if they do not lose it, the premiums for continuing the insurance may be so greatly increased and become so high that it will be difficult for them to continue it."

We respectfully recommend favorable consideration by your committee and enactment by the Congress at this session of S. 2575 as a desirable companion measure to S. 2162.

STATEMENT OF EVERETT G. GIBSON, LEGISLATIVE DIRECTOR, NATIONAL FEDERATION OF POST OFFICE MOTOR VEHICLE EMPLOYEES

Mr. Chairman and members of the subcommittee, my name is Everett G. Gibson, legislative director of the National Federation of Post Office Motor Vehicle Employees with offices at 412 Fifth Street NW., Washington, D.C. I am submitting this statement in support of S. 2575.

With the anticipated enactment of S. 2162, which will provide a health benefits program for Federal employees, it is our opinion that Congress should enact further legislation providing benefits for Federal employees who are now on the civil service retirement rolls.

The National Federation of Post Office Motor Vehicle Employees have many of its members now retired and the experience of our organization indicate that these former employees are in great need of this type health benefits.

We want to thank you, Mr. Chairman and the members of your subcommittee, for allowing our organization to comment on this important legislation, and we sincerely hope that S. 2575 will be enacted into law and that the benefits can be obtained effective July 1, 1960.

AMERICAN MEDICAL ASSOCIATION,
Chicago, Ill., September 2, 1959.

Hon. OLIN D. JOHNSTON,
*Chairman, Committee on Post Office and Civil Service,
U.S. Senate, Washington, D.C.*

DEAR SENATOR JOHNSTON: On April 27, 1959, I submitted to you the position and recommendations of the American Medical Association with respect to S. 94, 86th Congress. At that time it was our recommendation that S. 94 be clarified and amended so that its provisions would be extended to include persons already retired and those retiring from Government service after July 1, 1959.

In connection with the current hearings on S. 2575 by the Subcommittee on Insurance, I would like to reiterate our position in this regard and to express the support of the American Medical Association for that portion of S. 2575 that would accomplish this purpose. We sincerely believe that participation of the already retired Federal employee in a voluntary and contributory program is desirable.

Sincerely yours,

F. J. L. BLASINGAME, M.D.

STATEMENT OF WILLIAM H. RYAN, PRESIDENT, DISTRICT NO. 44, INTERNATIONAL ASSOCIATION OF MACHINISTS, AFL-CIO

Mr. Chairman, my name is William H. Ryan. I am president and legislative representative for District 44, International Association of Machinists, AFL-CIO. District 44 represents all those members of the Machinists Union who work for any agency of the Federal Government. Our members work in all of the States, and in the Panama Canal Zone. They are employed by more than 40 different Government agencies.

District 44 has been organized since 1904, and has, naturally, many members who are now retired both from the Government service, and from active union membership, although they retain their active interest in their union's affairs. There are several thousand of these members who are already retired.

Naturally, now that a comprehensive, voluntary, contributory health and hospitalization law is about to be passed for current Federal employees, and for all those who will retire after the effective date of the new law, it is only common justice that those persons who formerly worked for the Federal Government, who gave their loyalties and substance in the performance of their public duties for many years, should also be granted similar protection.

The already-retired employees of the Government are a vanishing group. The new health insurance law will cover future retirees. Thus, the ranks of retired persons who, as the new health insurance bill now stands, will not be covered, will continually diminish as time passes. It is estimated that the cost to the Government for the first year of the proposed program under S. 2575 would be about \$20 million. Each year, however, this cost would diminish until, eventually, it would no longer have applicability, and the cost would cease.

From a humanitarian standpoint, with the knowledge we now have of the problems of old age, and with the advances made in medical science as it applies to these problems, the science of gerontology being one example, it would almost amount to ingratitude to our former career civil servants if, having granted coverage to future retirees, the Government would fail to include coverage to those already retired.

Although medical science has proceeded with astounding advances in recent years, it has not been without a price. The high cost of medical care, which of course was one of the factors arguing in favor of the basic health insurance bill, is as distressing to the already retired as it will be to future retirees. In fact, it is more distressing, in that the income of the already retired, being based on earnings made when wages and salaries were less than they are today, will be proportionally smaller than the income to future retirees.

It is almost self-evident, in an era in which voluntary health insurance plans are becoming more and more prevalent, and in which the cost of medical care is itself geared to the capital availability made possible by health insurance plans, that adequate medical care can be assured only by some form of health insurance participation. If this is so for those who are drawing fulltime income for fulltime work, it is immensely more so for those whose only source of income is from retirement annuities.

To what source of help can the already retired turn for their health needs? Their age militates against their getting private health insurance at rates which, as annuitants, they can afford. Special insurance plans for those already retired are based on a fairly steady population base. But this population base will suddenly and drastically drop in size once the basic health insurance bill becomes effective. This will cause, in turn, progressively higher premiums for those remaining in the special insurance plans, in order to cover the progressively greater risk factor. In not too long a time, the cost of premiums will price such special insurance plans out of the already-retired market.

Then there will be nowhere to turn for help. The net end result will be the spectacle of the Government's former loyal workers being forced to get medical care on a charity basis—when they can get it, and if they can get it.

While there may be some who will argue that this is well enough, since these already-retired persons contributed nothing themselves to the cost of the insurance during their working days; it must not be forgotten that these people will be paying the same rates as everyone else, on the same contributory basis, starting at the same time as everyone else. The already-retired will be paying their way the same as everyone else. The bill further requires, for eligibility, that the former retiree must have had a minimum of 12 or more years of service to the Government, and must have retired on an immediate annuity. They are men and women who have given a great portion of their working years to the service of the public.

Some may argue that the incidence of disease and illness is higher with the aged than with active workers. However, within a few years after the effective date of the basic new act, retirees being covered by the basic act will number as many as those who would be covered under S. 2575. Further, while illness and disease may be higher with the aged, injuries resulting from exposure to hazards which active men and women meet with will undoubtedly be higher for active persons than for the aged. Retirees normally do not expose themselves to hazardous situations.

The idea of covering persons already retired when a health benefits plan is negotiated is not new. In private industry, many large and progressive employers have adopted this approach, including such firms as B. F. Goodrich, Eastman Kodak, Minnesota Mining & Manufacturing, Firestone Tire & Rubber, and others.

Further, the American Medical Association, hardly a "radical" organization on such matters as health insurance, has endorsed the intent of S. 2575, as has the Blue Cross Association and the Health Insurance Association of America and other medical groups of this caliber. Even the Chairman of the Civil Service Commission has endorsed the intent of S. 2575.

The State of New York, a Government operation, and the Dominion of Canada, have both extended coverage of health benefits to the retired employees. Thus, the precedent of Government action to protect its retirees is not being set by S. 2575. All that is being done is to follow precedents already set.

From nearly every possible angle of fair play, including the economic justification itself, the concept of S. 2575 is sound, needed, and must be enacted in the interests of the Nation as a whole.

Mr. Chairman, speaking on behalf of the members of District No. 44, International Association of Machinists, we fully endorse S. 2575, and urge its passage as soon as possible so that its effectiveness will take place at the same time as the basic new health benefits law.

STATEMENT OF WILLIAM E. PEACOCK, SECRETARY-TREASURER, NATIONAL ASSOCIATION OF SPECIAL DELIVERY MESSENGERS, AFL-CIO

Mr. Chairman and members of the subcommittee, my name is William E. Peacock, secretary-treasurer of the National Association of Special Delivery Messengers of the U.S. Postal Service, affiliated with the American Federation of Labor-Congress of Industrial Organizations, and a member of the Government Employees' Council of the AFL-CIO.

The membership of the National Association of Special Delivery Messengers consists of special delivery messengers throughout the Postal Service in the United States.

Mr. Chairman and members of the subcommittee, we sincerely appreciate the introduction of S. 2575, and want to express our appreciation to your Senators who cosponsored this legislation—Senators Neuberger, Johnston, Carlson, Monroney, Yarborough, Langer, Clark, Smathers, Javits, Magnuson, Pastore, Moss, Keating, Jackson, Kefauver, Randolph, Gruening, Humphrey, Beall, Capehart, Butler, Hartke, and Martin.

I have for the past 10 years worked with various committees of the Government Employees' Council in trying to bring about hospitalization and medical coverage for those on the regular retired rolls. It has always been our objective, as well as that of the Government Employees' Council, AFL-CIO, to support legislation granting coverage to all employees and annuitants.

We extend to you, Mr. Chairman, and to Senator Johnston, chairman of the Senate Post Office and Civil Service Committee, and to all members of the committee our appreciation for hearings being scheduled on this legislation that partially provides hospitalization for retired employees and their dependents.

I am delighted in having the opportunity of presenting this statement to your committee and wholeheartedly endorsing, along with the Government Employees' Council, this much needed legislation.

AMERICAN HOSPITAL ASSOCIATION,
Washington, D.C., September 4, 1959.

Hon. RICHARD L. NEUBERGER,
Senate Post Office and Civil Service Subcommittee on Insurance, Senate Office Building, Washington, D.C.

DEAR SENATOR NEUBERGER: The Senate Post Office and Civil Service Subcommittee on Insurance has, I am advised, concluded hearings on S. 2575, a bill which would provide health insurance benefits for Federal employees now retired.

We have not been able to make a careful study of the provisions of this legislation. However, we wish to submit for the record of your subcommittee hearings our full support as to the desirability of the Federal Government assisting its already retired employees to provide for their health needs through voluntary health insurance.

It is a well-accepted fact that the need for health insurance protection is greater for aged retirees than it is for currently employed persons. Aged retirees have had their income drastically reduced in relation to the level of income to which they were accustomed during employment and such reduction comes at a time when the likelihood of illness striking them is much greater.

Sincerely yours,

KENNETH WILLIAMSON, *Associate Director.*

LEGISLATIVE HISTORY

Public Law 86-724
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INDEX AND SUMMARY OF S. 2575

Aug. 21, 1959	Sen. Neuberger and others introduced and Sen. Neuberger discussed S. 2575 which was referred to the Senate Post Office and Civil Service Committee. Print of bill and remarks.
Apr. 21, 1960	Senate committee voted to report (but did not actually report) S. 2575.
Apr. 25, 1960	Senate committee reported S. 2575 with amendment. S. Report No. 1288. Print of bill and report.
May 5, 1960	Senate passed S. 2575 as reported.
May 6, 1960	S. 2575 was referred to the House Post Office and Civil Service Committee. Print of bill.
June 2, 1960	Rep. Lesinski introduced H. R. 12495 which was referred to the House Post Office and Civil Service Committee. Print of bill as introduced.
June 20, 1960	House subcommittee voted to report S. 2575 to the full committee, substituting the language of H. R. 12495.
June 21, 1960	House committee reported S. 2575 with amendment. H. Report No. 1930. Print of bill and report.
Aug. 22, 1960	House passed S. 2575 with amendment under suspension of the rules.
Aug. 26, 1960	Senate concurred in House amendment to S. 2575 with an amendment.
Aug. 29, 1960	House concurred in Senate amendment.
Sept. 8, 1960	Approved: Public Law 86-724.

DIGEST OF PUBLIC LAW 86-724

RETIREED FEDERAL EMPLOYEES HEALTH BENEFITS ACT. Provides a health benefits program, patterned after the health benefits program for active employees under the Federal Employees Health Benefits Act of 1959, for retired Federal employees and their survivors, to become effective July 1, 1961.

IN THE SENATE OF THE UNITED STATES

AUGUST 21, 1959

Mr. NEUBERGER (for himself, Mr. JOHNSTON of South Carolina, Mr. CARLSON, Mr. MONRONEY, Mr. YARBOROUGH, Mr. LANGER, Mr. CLARK, Mr. SMATHERS, Mr. JAVITS, Mr. MAGNUSON, Mr. PASTORE, Mr. MOSS, Mr. KEATING, Mr. JACKSON, Mr. KEFAUVER, Mr. RANDOLPH, Mr. GRUENING, Mr. HUMPHREY, Mr. BEALL, Mr. CAPEHART, and Mr. BUTLER) introduced the following bill; which was read twice and referred to the Committee on Post Office and Civil Service

A BILL

To provide a health benefits program for certain retired employees of the Government.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That this Act may be cited as the "Federal Annuitants
4 Health Benefits Act of 1959."

5 SEC. 2. As used in this Act—

6 (a) The term "annuitant" means any of the following
7 who are not eligible for coverage under the Federal Em-
8 ployees Health Benefits Act of 1959: (1) an employee who

1 has heretofore retired or who prior to July 1, 1960 retires
2 on an immediate annuity, under the Civil Service Retirement
3 Act or other retirement system for civilian employees
4 of the Government, after twelve or more years of service or
5 for disability, (2) a member of the family who receives an
6 immediate annuity as the survivor of a retired employee
7 described in clause (1), or of an employee who dies prior
8 to July 1, 1960 after completing five or more years of
9 service, (3) an employee who receives monthly compensation
10 under the Federal Employees Compensation Act as a
11 result of injury sustained or illness contracted prior to July
12 1, 1960 and who is determined by the Secretary of Labor
13 to be unable to return to duty, and (4) a member of a
14 family who receives monthly compensation under the Federal
15 Employees Compensation Act as the surviving beneficiary
16 of (i) an employee who dies after completing five
17 or more years of service as a result of injury sustained or
18 illness contracted prior to July 1, 1960 or (ii) a former
19 employee who is separated after completing five or more
20 years of service and who dies while receiving monthly compensation
21 under such Act on account of injury sustained or
22 illness contracted prior to July 1, 1960. For the purpose of
23 this subsection, "service" means service which is creditable
24 for the purposes of the Civil Service Retirement Act.

1 (b) The term “employee” means an appointive or elec-
2 tive officer or employee in or under the executive, judicial,
3 or legislative branch of the United States Government, in-
4 cluding a Government-owned or controlled corporation (but
5 not including any corporation under the supervision of the
6 Farm Credit Administration, of which corporation any mem-
7 ber of the board of directors is elected or appointed by
8 private interests), or of the municipal government of the
9 District of Columbia, and includes an Official Reporter of
10 Debates of the Senate and a person employed by the Official
11 Reporters of Debates of the Senate in connection with the
12 performance of their official duties, and an employee of Gal-
13 laudet College, but does not include (1) a member of a
14 “uniformed service” as such term is defined in section 1072
15 of title 10 of the United States Code, (2) a noncitizen em-
16 ployee whose permanent-duty station is located outside a
17 State of the United States or the District of Columbia, or (3)
18 an employee of the Tennessee Valley Authority.

19 (c) The term “member of family” means an annuitant’s
20 spouse, unmarried child under the age of nineteen years (in-
21 cluding (1) an adopted child, and (2) a stepchild or recog-
22 nized natural child who lives with the annuitant in a regular
23 parent-child relationship), or unmarried child regardless of
24 age who is incapable of self-support because of a mental

1 or physical incapacity that existed prior to his reaching the
2 age of nineteen years and who is in fact dependent on the
3 annuitant for over one-half his support.

4 (d) The term "dependent husband" means a husband
5 who is incapable of self-support by reason of mental or phys-
6 ical disability which can be expected to continue for more
7 than a year.

8 (e) The term "health benefits plan" means an insurance
9 policy or contract, medical or hospital service agreement,
10 membership or subscription contract or similar arrangement
11 provided by a carrier for the purpose of providing, paying
12 for, or reimbursing expenses for health services.

13 (f) The term "Commission" means the United States
14 Civil Service Commission.

15 SEC. 3. The Commission is authorized and directed to
16 establish a health benefits program for annuitants and mem-
17 bers of their families who are not eligible for coverage under
18 the Federal Employees Health Benefits Act of 1959. Ex-
19 cept as provided in this Act, benefits under such program,
20 and the conditions under which they shall be payable, shall
21 correspond as nearly as practicable, to the extent possible
22 with the funds available under this Act, to the benefits pro-
23 vided under the Federal Employees Health Benefits Act of
24 1959.

25 SEC. 4. (a) If an annuitant enrolls in a health benefits

1 plan under this Act for himself only, there shall be withheld
2 from the annuity of such annuitant as his contribution an
3 amount not to exceed \$3.80 monthly, and the Government
4 shall contribute a like amount.

5 (b) Except as provided in paragraph (c), if an an-
6 nuitant enrolls in a health benefits plan under this Act for
7 himself and members of his family there shall be withheld
8 from the annuity of such annuitant, as his contribution an
9 amount not to exceed \$9.20, and the Government shall con-
10 tribute a like amount.

11 (c) If a member of the family of a female annuitant,
12 who enrolls in a health benefits plan under this Act for her-
13 self and members of her family, is a husband, other than a
14 dependent husband, there shall be withheld from the annuity
15 of such annuitant as her contribution an amount not to ex-
16 ceed \$13 monthly, and the Government shall contribute an
17 amount not to exceed \$5.50 monthly.

18 SEC. 5. The program authorized by this Act shall not
19 be applicable to any annuitant or member of his family unless
20 such annuitant elects, within ninety days after July 1, 1960,
21 to be covered by such program, and consents to the deduc-
22 tion from his annuity or other benefit payments of such
23 amounts as the Civil Service Commission shall prescribe as
24 contributions to the cost of such program.

25 SEC. 6. There is hereby created a Federal Annuitants

1 Health Benefits Fund, hereinafter referred to as the "Fund",
2 which is hereby made available without fiscal year limitation
3 for the payment of all premiums or subscription charges
4 under policies or contracts purchased or entered into under
5 section 7, and for payment of expenses incurred by the Com-
6 mission in administering the program authorized by this
7 Act. The amounts withheld from the annuities of annui-
8 tants, and the amounts contributed by the Government to-
9 ward the cost of health benefits for such annuitants shall be
10 paid into the Fund. For purposes of the payments provided
11 for in this section, the Secretary of the Treasury is author-
12 ized to use the proceeds of the sale of any securities issued
13 under the Second Liberty Bond Act as now in force or as
14 hereafter amended, and the purposes for which securities
15 may be issued under the Second Liberty Bond Act are hereby
16 extended to include this purpose. The income derived from
17 any dividends, premium rate credits or other refunds shall be
18 credited to and constitute a part of the Fund. Any amounts
19 remaining in such Fund after all premium or subscription
20 charges have been paid, and after the amounts referred to
21 in the preceding sentence have been set aside, shall be re-
22 tained as a special reserve for adverse fluctuations in future
23 charges, or may be applied to reduce the contributions of
24 employees and the Government to, or to increase the bene-
25 fits provided by, the plan from which such amounts are

1 derived, as the Commisison shall from time to time deter-
2 mine. The Secretary of the Treasury is authorized to invest
3 and reinvest any of the moneys in the Fund in interest-
4 bearing obligations of the United States and to sell such
5 obligations of the United States for the purposes of the
6 Fund. The interest on and the proceeds from the sale of
7 any such obligations shall become a part of the Fund.

8 SEC. 7. The Civil Service Commission is authorized to
9 prescribe such regulations and, without regard to section
10 3709 of the Revised Statutes or other provisions of law re-
11 quiring competitive bidding, to enter into such contracts or
12 arrangements, or purchase such policies, as may be neces-
13 sary to establish and carry out the program authorized by
14 this Act.

15 SEC. 8. The Commission shall transmit to the Congress
16 annually a report concerning the operation of this Act.

17 SEC. 9. The health benefits program authorized by this
18 Act shall take effect on July 1, 1960.

A BILL

To provide a health benefits program for certain retired employees of the Government.

By Mr. NEUBERGER, Mr. JOHNSTON of South Carolina, Mr. CARLSON, Mr. MONRONEY, Mr. YARBOROUGH, Mr. LANGER, Mr. CLARK, Mr. SMATHERS, Mr. JAVITS, Mr. MAGNUSON, Mr. PASTORE, Mr. MOSS, Mr. KEATING, Mr. JACKSON, Mr. KEFAUVER, Mr. RANDOLPH, Mr. GRUENING, Mr. HUMPHREY, Mr. BEALL, Mr. CAPEHART, and Mr. BUTLER

AUGUST 21, 1959

Read twice and referred to the Committee on Post Office and Civil Service

respect to current Federal-aid contracts on State and county highways; and

Whereas the failure of the Government to meet its existing highway Federal-aid commitments will create severe financial hardships on Lake County along with many other counties in the State; and

Whereas if Federal-aid funds are not continued, the existing acute unemployment problem in Lake County will be further aggravated by the necessary rigid curtailment of future highway construction projects: Now, therefore, be it

Resolved, That the Congress of the United States be respectfully requested to take the necessary steps to immediately provide legislation to the end that all current Federal-aid to highways commitments be met; and be it further

Resolved, That a sound financial program be provided to insure that Federal aid to highways be continued at the rate previously authorized; and be it further

Resolved, That copies of this resolution be forwarded to Senator HUBERT H. HUMPHREY, Senator EUGENE J. MCCARTHY, and Representative JOHN A. BLATNIK.

PAUL W. NELSON
Auditor, Lake County, Minn.

REPORTS OF COMMITTEES

The following reports of committees were submitted:

By Mr. EASTLAND, from the Committee on the Judiciary, without amendment:

S. 594. A bill for the relief of Lione Tarpinian (Rept. No. 772);

S. 673. A bill for the relief of Stamatis Zeris (Rept. No. 771);

S. 981. A bill for the relief of T. W. Holt & Co. (Rept. No. 770);

S. 1149. A bill for the relief of Capt. Thomas J. McArdle (Rept. No. 769);

S. 1624. A bill for the relief of Ivan Curko (Rept. No. 768);

S. 1915. A bill for the relief of Chung Ching Wei (Rept. No. 767);

S. 2022. A bill for the relief of Lily Ang (Rept. No. 766);

S. 2028. A bill for the relief of Candace Elizabeth Lee Johnson (Kyung Hee Lee) (Rept. No. 765);

S. 2052. A bill to amend the Bankruptcy Act in regard to the closing fee of the trustee and in regard to the fee for the filing of a petition (Rept. No. 764);

S. 2081. A bill for the relief of Yadwiga Boczar (Rept. No. 763);

S. 2154. A bill for the relief of Ante Grgas Pivac (Rept. No. 762);

S. 2186. A bill for the relief of Marta Nagy (Rept. No. 761);

S. 2187. A bill for the relief of Martha L. Hortobogyl (Rept. No. 760);

S. 2349. A bill to amend title 28, United States Code, with respect to fees of U.S. marshals, and for other purposes (Rept. No. 759);

H.R. 1595. An act for the relief of Victor Hoffer (Rept. No. 784);

H.R. 2078. An act for the relief of Gannon Boggs (Rept. No. 785);

H.R. 2296. An act for the relief of the estate of Seth E. Libby, Jr. (Rept. No. 786);

H.R. 2741. An act to amend section 2734 of title 10, United States Code, so as to authorize the Secretary of the Treasury to settle claims arising in foreign countries incident to noncombat activities of the Coast Guard (Rept. No. 767);

H.R. 2976. An act to amend section 752 of title 28, United States Code (Rept. No. 788);

H.R. 4111. An act for the relief of Eva Marie Leshner (Rept. No. 789);

H.R. 5911. An act for the relief of Omer W. Guay (Rept. No. 790);

H.R. 6490. An act for the relief of Colbert Colgate Held and Charles W. Shellhorn (Rept. No. 791);

H.R. 7085. An act for the relief of John B. Sutter (Rept. No. 792);

H.R. 7638. An act for the relief of the estate of Sakihara Koki (Rept. No. 793); and H. Con. Res. 186. Concurrent resolution favoring the granting of the status of permanent residence to certain aliens (Rept. No. 782).

By Mr. EASTLAND, from the Committee on the Judiciary, with an amendment:

S. 540. A bill for the relief of Maybell King (Rept. No. 778);

S. 1033. A bill for the relief of certain aliens (Rept. No. 777);

S. 1583. A bill for the relief of Yom Tov Yeshayahu Brizsk (Rept. No. 776);

S. 1862. A bill for the relief of Harve M. Duggins (Rept. No. 775);

S. 1944. A bill to amend the Bankruptcy Act in regard to the verification of pleadings (Rept. No. 774);

S. 1980. A bill for the relief of Alvaro Rodriguez Jimenez (Rept. No. 773); and

H.J. Res. 445. Joint resolution to facilitate the admission into the United States of certain aliens (Rept. No. 783).

By Mr. EASTLAND, from the Committee on the Judiciary, with amendments:

S. 1433. A bill for the relief of John Axel Arvidson (Rept. No. 781);

S. 1891. A bill for the relief of Donald G. Coplan (Rept. No. 780);

S. 2101. A bill for the relief of Ourania Ben Blikas (Rept. No. 779);

H.R. 6000. An act to amend title 28 of the United States Code to increase the limit for administrative settlement of claims against the United States under the tort claims procedure to \$3,000 (Rept. No. 797); and

H.J. Res. 444. Joint resolution for the relief of certain aliens (Rept. No. 794).

By Mr. KEATING, from the Committee on the Judiciary, without amendment:

H.R. 2717. An act for the relief of Eber Bros. Wine & Liquor Corp. (Rept. No. 758).

By Mr. JOHNSTON, from the Committee on the Judiciary, without amendment:

H.R. 1579. An act for the relief of Basile Ignatios Mavris (Rept. No. 755).

By Mr. ERVIN, from the Committee on the Judiciary, without amendment:

S. 1015. A bill for the relief of Continental Hosiery Mills, Inc., of Henderson, N.C., successor to Continental Hosiery Co. of Henderson, N.C. (Rept. No. 756).

By Mr. DIRKSEN, from the Committee on the Judiciary, with amendments:

S. 1257. A bill granting the consent and approval of Congress to the Wabash Valley Compact, and for related purposes (Rept. No. 757).

By Mr. LANGER, from the Committee on the Judiciary, with amendments:

S. 883. A bill to confer jurisdiction upon the U.S. Court of Claims to hear, determine, and render judgment upon claims of customs officers and employees to extra compensation for Sunday, holiday, and overtime services performed after August 31, 1931, and not heretofore paid in accordance with existing law (Rept. No. 796).

By Mr. WILEY, from the Committee on the Judiciary, without amendment:

H.R. 3240. An act for the relief of Mrs. Clare M. Ash (Rept. No. 798).

By Mr. HILL, from the Committee on Labor and Public Welfare, without amendment:

S. 2467. A bill to authorize the development of plans and arrangements for the provision of emergency assistance, and the provision of such assistance, to repatriated American nationals without available resources, and for other purposes (Rept. No. 799).

By Mr. HILL, from the Committee on Labor and Public Welfare, with amendments:

S. 2197. A bill to protect the public health by amending the Federal Food, Drug, and Cosmetic Act so as to authorize the use of suitable color additives in or on foods, drugs, and cosmetics, in accordance with regula-

tions prescribing the conditions (including maximum tolerances) under which such additives may be safely used (Rept. No. 795).

ADDITIONAL FUNDS FOR COMMITTEE ON THE JUDICIARY—REPORT OF A COMMITTEE

Mr. EASTLAND (for Mr. Dobb), from the Committee on the Judiciary, reported an original resolution (S. Res. 170) to increase the amount of funds for the Committee on the Judiciary, which was referred to the Committee on Rules and Administration, as follows:

Resolved, That Senate Resolution 59, Eighty-sixth Congress, agreed to February 2, 1959 (authorizing an investigation of the administration of the national security law and matters relating to espionage), is hereby amended by striking out "\$224,000" and inserting in lieu thereof "\$239,000".

EXECUTIVE REPORTS OF A COMMITTEE

As in executive session,

The following favorable reports of nominations were submitted:

By Mr. EASTLAND, from the Committee on the Judiciary:

Gerald E. Murch, of Maine, to be member of the Board of Parole;

Lewis J. Grout, of Kansas, to be a member of the Board of Parole;

James R. Duncan, of Virginia, to be a member of the Subversive Activities Control Board;

Charles D. Read, Jr., of Georgia, to be U.S. attorney for the northern district of Georgia;

Russell E. Ake, of Ohio, to be U.S. attorney for the northern district of Ohio;

William B. Jones, of Kentucky, to be U.S. attorney for the western district of Kentucky;

Lynn J. Gillard, of California, to be U.S. attorney for the northern district of California; and

John H. Phillips, of Mississippi, to be U.S. marshal for the northern district of Mississippi.

By Mr. DIRKSEN, from the Committee on the Judiciary:

J. Walter Yeagley, of Indiana, to be an Assistant Attorney General.

BILLS INTRODUCED

Bills were introduced, read the first time, and, by unanimous consent, the second time, and referred as follows:

By Mr. NEUBERGER (for himself, Mr. JOHNSTON of South Carolina, Mr. CARLSON, Mr. MONRONEY, Mr. YARBOROUGH, Mr. LANGER, Mr. CLARK, Mr. SMATHERS, Mr. JAVITS, Mr. MAGNUSON, Mr. PASTORE, Mr. MOSS, Mr. KEATING, Mr. JACKSON, Mr. KEFAUVER, Mr. RANDOLPH, and Mr. GRUENING):

S. 2575. A bill to provide a health benefits program for certain retired employees of the Government; to the Committee on Post Office and Civil Service.

(See the remarks of Mr. NEUBERGER when he introduced the above bill, which appear under a separate heading.)

By Mr. HOLLAND (for himself and Mr. SMATHERS):

S. 2576. A bill to authorize the addition of certain donated lands to the Everglades National Park; to the Committee on Interior and Insular Affairs.

By Mr. MAGNUSON:
S. 2577. A bill to authorize the construction of nuclear powered ice breaking vessel for operation by the U.S. Coast Guard, and

for other purposes; to the Committee on Interstate and Foreign Commerce.

By Mr. MAGNUSON (for himself, Mr. SALTONSTALL, Mr. KENNEDY, Mr. ENGLE, and Mrs. SMITH):

S. 2578. A bill to provide a program of assistance to correct inequities in the construction of fishing vessels and to enable the fishing industry of the United States to regain a favorable economic status, and for other purposes; to the Committee on Interstate and Foreign Commerce.

By Mr. MARTIN:

S. 2579. A bill to provide for the modification of the flood control project on the Mississippi River at Muscatine, Iowa; to the Committee on Public Works.

By Mr. MCCLELLAN (by request):

S. 2580. A bill to amend section 205 of the Federal Property and Administrative Services Act of 1949 to empower certain officers and employees of the General Services Administration to administer oaths to witnesses;

S. 2581. A bill to amend the act of June 1, 1948 (62 Stat. 281), to empower the Administrator of General Services to appoint non-uniformed special policemen;

S. 2582. A bill to amend section 202(a) of the Federal Property and Administrative Services Act of 1949, as amended, to promote the utilization of excess property and to simplify the reimbursement procedure for transfers of such property; and

S. 2583. A bill to authorize the head of any executive agency to reimburse owners and tenants of lands or interests in land acquired for projects or activities under his jurisdiction for their moving expenses, and for other purposes; to the Committee on Government Operations.

(See the remarks of Mr. MCCLELLAN when he introduced the above bills, which appear under separate headings.)

By Mr. MAGNUSON (for himself and Mr. BUTLER):

S. 2584. A bill to amend title V of the Merchant Marine Act, 1936, in order to remove certain limitations on the construction differential subsidy under such title; to the Committee on Interstate and Foreign Commerce.

(See the remarks of Mr. MAGNUSON when he introduced the above bill, which appear under a separate heading.)

By Mr. WILLIAMS of New Jersey:

S. 2585. A bill for the relief of Josephine Lue Fan (also known as Josephine Fook-Lau), Joseph Lue Fan (also known as Joseph LewFan), and Aura Lue Fan; to the Committee on the Judiciary.

RESOLUTIONS

DESIRABILITY OF HOLDING AN INTERNATIONAL EXPOSITION IN THE UNITED STATES

Mr. FULBRIGHT submitted the following resolution (S. Res. 169); which was referred to the Committee on Foreign Relations:

Whereas substantial interest has been shown in making arrangements to hold a world's fair in the United States in 1964; and

Whereas the Bureau International des Expositions, which exercises important influence in determining the site and extent of participation in world fairs, will meet in November 1959 to consider the location of the next world's fair; Now, therefore, be it

Resolved, That it is the sense of the Senate that the executive branch of the U.S. Government should examine the desirability of adherence by the Government of the United States to the convention of November 22, 1928, creating the Bureau International des Expositions and report its views thereon to the Senate of the United States; and be it further

Resolved, That it is the sense of the Senate that the executive branch of the U.S. Government should determine whether in its view the public interest would be served by seeking to arrange to hold an international exposition of the type classified category one by the Bureau International des Expositions in the United States, and that such view should be communicated to the Senate of the United States as soon as practicable; and be it further

Resolved, That it is the sense of the Senate that, in the event the executive branch finds that the public interest would be served by holding an international exposition in the United States, the President should appoint a commission of citizens representative of business, labor, education, and science to recommend a suitable site in the United States for such exposition and to recommend to the President and the Congress such other action as might be necessary to arrange for the holding of such exposition in the United States.

ADDITIONAL FUNDS FOR COMMITTEE ON THE JUDICIARY

Mr. EASTLAND (for Mr. DODD), from the Committee on the Judiciary, reported an original resolution (S. Res. 170) to increase the amount of funds for the Committee on the Judiciary, which was referred to the Committee on Rules and Administration.

(See the above resolution printed in full when reported by Mr. EASTLAND, for Mr. DODD, which appears under the heading "Report of a Committee.")

HEALTH COVERAGE NEEDED FOR RETIRED CAREER FEDERAL CIVIL EMPLOYEES

Mr. NEUBERGER. Mr. President, I introduce, for appropriate reference, a bill to provide voluntary health-insurance benefits for retired career Federal civil employees. I do so as chairman of the Federal Insurance and Health Subcommittee of the Senate Committee on Post Office and Civil Service.

This proposed legislation—pioneering legislation, I might add—is being introduced for myself, the distinguished chairman of the Senate Post Office and Civil Service Committee, the senior Senator from South Carolina [Mr. JOHNSTON]; the able ranking minority member, the junior Senator from Kansas [Mr. CARLSON]; a bipartisan majority of the committee, the junior Senator from Oklahoma [Mr. MONRONEY], the senior Senator from North Dakota [Mr. LANGER], the junior Senator from Texas [Mr. YARBOROUGH], and the senior Senator from Pennsylvania [Mr. CLARK]; and other Senators who have expressed an interest in sponsoring this bill, the junior Senator from Florida [Mr. SMATHERS], the senior Senator from West Virginia [Mr. RANDOLPH], the junior Senator from Utah [Mr. MOSS], the senior Senator from New York [Mr. JAVITS], the junior Senator from New York [Mr. KEATING], the senior Senator from Tennessee [Mr. KEFAUVER], the senior Senator from Washington [Mr. MAGNUSON], the junior Senator from Washington [Mr. JACKSON], the junior Senator from Alaska [Mr. GRUENING] and the junior Senator from Rhode Island [Mr. PASTORE].

I ask unanimous consent that the bill lie on the table for 3 days so that other Members of the Senate, who may be interested in joining in cosponsoring this worthy bill, shall have the opportunity to do so.

The VICE PRESIDENT. The bill will be received and appropriately referred; and, without objection, the bill will lie on the desk, as requested by the Senator from Oregon.

The bill (S. 2575) to provide a health benefits program for certain retired employees of the Government, introduced by Mr. NEUBERGER (for himself and other Senators), was received, read twice by its title, and referred to the Committee on Post Office and Civil Service.

Mr. NEUBERGER. Mr. President, this bill provides health coverage for career retired civil employees on the same basis that active employees and those who will retire after June 30, 1960, are covered in the Federal Employees Health Benefits Act of 1959, which passed the Senate on July 16 by a vote of 81 to 4 and early this week was unanimously reported by the Post Office and Civil Service Committee of the House of Representatives.

COSTS SHARED ON 50-50 BASIS

This bill would provide health benefits coverage for approximately 260,000 retired Federal employees, Federal employees disabled while in service for the Government, and their spouses and minor children. The premiums under this bill are the same as provided for under the Federal Employees Health Benefits Act of 1959, and are not to exceed \$3.80 per month for an annuitant who enrolls for himself only, and \$9.20 for an annuitant who enrolls for himself and members of his family. These premiums would be matched equally, on a 50-50 basis, by the Federal Government. The retired annuitant may have a free choice of plans; a service benefit plan, such as offered by Blue Cross-Blue Shield; an indemnity plan, such as offered by the insurance industry; a group practice prepayment plan, such as offered by the Kaiser Foundation on the west coast and Group Health Association here in Washington, D.C.; and an employee organization plan, such as offered by national employee organizations.

Specific health benefits would be negotiated by the U.S. Civil Service Commission, as the administering agency, with the various carriers. Annuitants would have 90 days after July 1, 1960, to elect coverage, and those who had not elected coverage within this period would lose the opportunity to do so. The annuitant's contribution, which would equal one-half of the cost, would be withheld by the Civil Service Commission from the annuity check.

Mr. President, reliable figures as to the family composition of the presently retired annuitants of our Government are not readily available and, of course, the cost of such a program could not be ascertained until this information is studied by the Civil Service Commission. Another factor in determining costs would be the number of annuitants who might elect coverage under this voluntary

health plan. However, reliable estimates place the first year's cost of health coverage for retired Federal civil employees at around \$40 million, which cost will be shared equally by the Federal Government and by the annuitant. The first year's cost will be the greatest since the presently retired and those who retired prior to July 1, 1960, is a group which inexorably will decline in size.

PRIVATE INDUSTRY PROTECTS RETIRED EMPLOYEES

Mr. President, the Federal Government cannot ignore the progressive examples of many large private employers who sponsor health benefits programs and have included in these programs persons already retired. These number, for example, the Arkansas Power & Light Co., B. F. Goodrich Co., Eastman Kodak Co., Goodyear Tire Co., Firestone Tire Co., Gilmore Belt & Rubber Co., American Sugar Refining Co., Swift & Co., Minnesota Mining & Manufacturing Co., and the First National Bank of Oregon.

Mr. President, if present retirees are not included in health benefits legislation on the same basis as future retirees will be included under the Federal Employees Health Benefits Act of 1959, large groups of retired employees may be penalized because they may lose such health insurance as they now have, or if they do not lose it, the premiums for continuing the insurance may be so greatly increased and become so high that it will be difficult for them to continue it. The reason for this is that many retirees are now insured in small local groups or under the plan established by the National Association for Retired Civil Employees—NARCE—or other plans composed of active employees which allow them to continue such coverage after retirement. When the Federal Employees Health Benefits Act of 1959 becomes effective on July 1, 1960, the presently active employees may promptly abandon these policies and seek coverage under the favorable terms of the new act. Without an influx of new members and newly retired members, the rates for these policies would become prohibitive, since the group would continue with only the presently retired, who, of course, become older each year.

AMERICAN MEDICAL ASSOCIATION FAVORS COVERAGE

Mr. President, I am pleased to report that the American Medical Association has given its active endorsement to a policy of covering retired Federal civil employees. I ask unanimous consent to have printed at this point in my remarks a letter from Dr. F. J. L. Blasingame, executive vice president of the AMA, who states that participation of the annuitant on a voluntary and contributory basis is desirable.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

AMERICAN MEDICAL ASSOCIATION,
Chicago, Ill., August 4, 1959.

Hon. RICHARD L. NEUBERGER,
Senate Office Building,
Washington, D.C.

DEAR SENATOR NEUBERGER: The American Medical Association is pleased to learn that you and other members of your Subcommittee on Insurance intend to introduce legis-

lation which would provide for health insurance on a voluntary and contributory basis for the already retired Federal workers. I am enclosing a copy of a letter I sent to Hon. TOM MURRAY, chairman of the House Post Office and Civil Service Committee, relative to S. 2162. I would call your particular attention to the paragraph in the enclosure dealing with section 2, which reads as follows:

"It is noted that the Senate-passed bill provides eligibility for individuals who retire after the date of enactment and before the effective date of the bill. While we feel that this provision is desirable, we regret that the bill does not provide for the already retired. We are heartened by the knowledge that the Senate Post Office and Civil Service Committee is presently considering a program under which health insurance will be offered to this group. While recognizing that such a program represents somewhat of a deviation from past precedents, we sincerely believe that the participation of these individuals on a voluntary and contributory basis is desirable."

Let me take this opportunity to commend you and your colleagues for the dedication you have shown in attempting to find a solution to the problem of health insurance for the retired Federal employee.

Sincerely yours,

F. J. L. BLASINGAME, M.D.,
Executive Vice President.

Mr. NEUBERGER. Mr. President, it is my opinion that the need of older people in our area for voluntary health coverage has long been neglected. Providing health coverage for presently retired Federal employees would prove an important step forward in meeting the health needs of our older people. It is well known that the need for health services is extremely critical in older groups. We must not shut our eyes to this urgent need.

CALLOUS TO IGNORE NEEDS, SAYS CIVIL SERVICE CHAIRMAN

Mr. President, I am pleased to report that the needs of retired Federal civil employees with respect to health coverage has not been ignored by the chairman of the U.S. Civil Service Commission. Roger W. Jones, in a letter to me dated May 18, 1959, stated:

Anyone who expressed indifference to the plight of our already retired employees in being unable to obtain adequate health insurance at a price they can afford to pay would be callous indeed. To require retirees to assume all or a major portion of the cost would put the insurance out of their financial reach. The only possibility which suggests itself would be to consider already retired employees as a separate group from active employees and try to work out separate legislation for them.

This is exactly what we are now doing.

Mr. President, this humanitarian view expressed by the Chairman of the Civil Service Commission is, unfortunately, not shared by all administration spokesmen. I regret to state that there are those who put dollars ahead of human values. The Director of the Bureau of the Budget in the Executive Office of the President wrote the chairman of the House of Representatives Post Office and Civil Service Committee on August 4, 1959, and stated:

The new health insurance benefits should be made available only to employees who earn them by rendering services to the Government under the new program after it be-

comes effective. Compensation in the form of pay and benefits is paid to employees for services rendered. Former employees who rendered service under a compensation system which did not include these health insurance benefits have already been paid in full for their services in the form of pay and benefits already received or in vested rights to payment of future benefits already earned.

Mr. President, contrast the harsh view expressed by the Director of the Bureau of the Budget with that voiced by the farsighted Governor of the State of New York, Hon. Nelson A. Rockefeller, who wrote:

It is of utmost concern to me that elderly persons have adequate medical and hospital care. Tragically, however, it is just at the retirement age of 65 that people are frequently dropped from health insurance plans, only to find that the cost of individual health insurance policies is prohibitive. The fiscal implications of this problem are among the most serious confronting us today.

NEW YORK PROVIDES HEALTH INSURANCE COVERAGE FOR ITS RETIRED STATE EMPLOYEES

Mr. President, the State of New York has wisely made health benefits coverage available to its retired State employees as of June 1, 1958, with the State paying 50 percent of the cost of the coverage for the retired employees. I am pleased also to report that our northern good neighbor, the Dominion of Canada, has adopted a national hospitalization program which includes its already retired senior citizens.

Mr. President, health coverage for retired employees on a voluntary basis has been endorsed by the insurance industry and the Blue Cross Association. I ask unanimous consent to have printed at this point in my remarks recent letters I have received from Mr. C. Manton Eddy, vice president and secretary of Connecticut General Life Insurance Co., who writes in behalf of the American Life Convention, the Health Insurance Association of America, and the Life Insurance Association of America, and from Mr. J. Douglas Colman, vice president and secretary of Blue Cross Association.

There being no objection, the letters were ordered to be printed in the RECORD, as follows:

CONNECTICUT GENERAL LIFE
INSURANCE CO.,
August 12, 1959.

Hon. RICHARD L. NEUBERGER,
U.S. Senate, Washington, D.C.

DEAR SENATOR NEUBERGER: We understand that it is your intention, along with other members of your Subcommittee on Insurance, to introduce a bill to provide for health insurance on a voluntary and contributory basis for already retired former Government employees.

The insurance business has long advocated that group insurance programs make provision for continuance of coverage for retiring employees, and also has urged employers to cover, whenever possible, those employees already retired. A Federal program for retired Federal employees could have very desirable and perhaps far-reaching effects. Of course, as in the case of every employer, budgetary considerations will necessarily govern the ultimate determination of this program.

On behalf of the American Life Convention, the Health Insurance Association of America, and the Life Insurance Association of Amer-

ica, I congratulate you on your deep and continued interest in utilizing the voluntary approach to the solution of the health-care needs of Government employees.

Very truly yours,

C. MANTON EDDY,
Vice President and Secretary.

BLUE CROSS ASSOCIATION,
New York, N.Y., August 14, 1959.

The Honorable RICHARD NEUBERGER,
Senate Post Office and Civil Service Com-
mittee, Senate Office Building, Washing-
ton, D.C.

DEAR SENATOR NEUBERGER: You have asked for our views with respect to the proposal to provide health insurance benefits to past service retirees of the Federal Government.

As you know, Blue Cross and Blue Shield have had a long and continuing interest in improving and extending the health services available to the aged. Our first and thus far our greatest contribution in this area has been the encouragement given to retirees to continue their membership regardless of age, at standard rates and standard benefits. This policy has been largely responsible for the present membership of some 3 million persons over 65 in Blue Cross.

This is, of course, the gradual approach to the problem, namely, the enrollment of persons during their active working years and permitting them to continue. Several of our plans in recent years have begun to experiment with the enrollment of persons who have already attained their later years. From the experience with these persons, I believe, we could have sufficient data to support valid estimates of the costs of various types of hospital benefits to present Federal annuitants when we receive the detailed data on their age and sex composition, which I understand will shortly be available from a recent sample study.

Accordingly, therefore, we believe we could discharge the responsibilities which would be imposed on carriers should the measure to provide health benefits for present annuitants be enacted.

As employers and employees join in the development of programs providing adequate health service for the aged population growing out of that employment, the current public demand for a sweeping Federal program of health service for all aged will be lessened.

Sincerely yours,

J. DOUGLAS COLMAN,
Vice President and Secretary.

Mr. NEUBERGER. Mr. President, as chairman of the Insurance Subcommittee, it is my hope that health coverage for presently retired Federal civil employees and those who retire prior to July 1, 1960, will take effect on July 1, 1960, the same date when coverage begins for active and future retirees.

Mr. President, I ask unanimous consent to have printed at this point in my remarks a recent letter from Mr. Frank J. Wilson, president, National Association of Retired Civil Employees endorsing the legislation that I am now introducing. NARCE has done an outstanding job in protecting and fighting for the rights of retired Federal civil employees and has established a fine program of health coverage for its 100,000 members.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

NATIONAL ASSOCIATION OF
RETIRED CIVIL EMPLOYEES,
Washington, D.C., August 5, 1959.

Hon. RICHARD L. NEUBERGER,
Chairman, Subcommittee on Insurance,
Senate Committee on Post Office and
Civil Service, Senate Office Building,
Washington, D.C.

DEAR SENATOR NEUBERGER: Thank you for the opportunity to review the revised draft of a proposed Federal Annuitants Health Benefits Act of 1959, made available to me over the weekend by representatives of your office and by the staff of the Senate Committee on Post Office and Civil Service. We commend you and those associated with you in working out such a constructive legislative draft, and we hope it will receive prompt approval by the committee and by the Senate.

We are particularly pleased that this draft is so well adapted to serve as a companion measure to S. 2162, to provide a health benefits program for Government employees, which passed the Senate on July 16, 1959. As we examine the standards set forth in the committee's Report No. 468 of July 2, 1959, as having been met by S. 2162, we note that the proposed draft meets similar tests concerning annuitants. For example, we believe that the proposed draft:

Would establish a program to embrace as many Federal annuitants as possible, would cover dependents and survivors, and would provide benefits which they cannot obtain for themselves at comparable cost.

Provides annuitants, within limits, freedom to select the kind of plan which they deem most suitable for their needs. The draft would authorize the same four types of plans, if feasible, that are set forth in greater detail in S. 2162.

Would recognize the problems of low income annuitants and aid them in securing health benefits.

Annuityants could join with active employees in contributing to costs and would receive equal assistance from the Federal Government in meeting costs.

Avoids risk of termination because of health or employment status or because of age.

Provides for the benefit of the Government reasonable limitations on costs, even for the first year. (Each year the costs will drop steadily, perhaps as much as 10 percent.)

Makes economies possible by reasonable competition in planning and contracting for programs, for the benefit of the Government as well as for annuitants.

Authorizes a program which tends to avoid setting in motion any forces that would inflate costs of hospital and medical care for the total population.

We support this legislative proposal because of the many positive benefits which it would provide, but we must also emphasize the terrible alternative if such a measure is not enacted into law.

Our own national organization plan, NARCE Services, Inc., provides up to 31 days of hospital care at \$13 per day, miscellaneous hospital expense up to \$130, surgical benefits up to \$200, and outpatient benefits up to \$130 at a cost of \$6 per month per person covered (member and spouse). This plan has been working very smoothly for a long time and now covers 51,000 persons (36,000 annuitants and 15,000 spouses). A balanced risk is maintained by new retirees joining each year. If S. 2162 is approved without the companion measure for annuitants, there will be no new retirees joining each year, the participants will shrink rapidly and be restricted more and more to high risk members, and the plan will soon have to be discontinued.

So we ask not only for the benefits in the proposed Federal Annuitants Health Benefits Act of 1959, but we ask that such a program be speedily enacted into law to avert the threatened loss of the modest health-benefits program we established for ourselves.

With esteem, I am,
Sincerely,

FRANK J. WILSON,
President.

Mr. NEUBERGER. Mr. President, I am also pleased to report that the Government Employees' Council of the AFL-CIO, representing over 600,000 Federal employees who are members of the AFL-CIO affiliated unions, have endorsed coverage for retired Federal civil employees. I ask unanimous consent to have printed at this point in my remarks a letter I have received from my warm friend, William C. Doherty, president of the National Association of Letter Carriers and chairman of the Government Employers' Council.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

GOVERNMENT EMPLOYEES' COUNCIL
OF THE AFL-CIO,
Washington, D.C., August 12, 1959.

Hon. RICHARD L. NEUBERGER,
U.S. Senate, Washington, D.C.

DEAR SENATOR NEUBERGER: The employees of the Federal Government are very much pleased with the action of the Senate Committee on Post Office and Civil Service, and your subcommittee, in reporting out S. 2162, providing a program of health benefits for Federal employees.

There is one serious omission from that bill that gives us a great deal of concern. That is the omission of those presently retired, as well as the survivor annuitants on the rolls. There are 311,000 retirees and 132,000 survivor annuitants. These folks receive very small annuities and the older the retiree, generally the smaller the annuity he receives.

The problem of the aged and aging is one of the most serious social problems we have in this country today. With the advancement of medical science and with the utilization of hospitalization and new diagnostic techniques to combat disease, the cost of remaining healthy has become quite a substantial item. The incidence of illness in the case of the aged is greater than in the case of younger people. Thousands of our elder citizens do not go to the doctor when they should because they simply cannot afford it. Medical and hospitalization insurance covering these older citizens is difficult to get, is extremely expensive, and provides greatly limited benefits. Simple justice seems to demand that legislation should be enacted that will furnish these people with proper health protection.

We were pleased to note in the report of the Senate Committee on Post Office and Civil Service on the health program that it was the intention of that committee to provide legislation covering retirees. We hope that such legislation will be speedily introduced and passed in short order by the Congress of the United States.

We are deeply appreciative of the interest that you, Senator OLIN D. JOHNSTON, and other members of the committee have taken in this most important subject, and we pledge our full support to you in working for the passage of this legislation. Our coun-

cil as you know, represents over 600,000 workers in the Federal Government.

With very best wishes for success, I remain,

Sincerely yours,

W. C. DOHERTY, *Chairman.*

Mr. NEUBERGER. Mr. President, legislation to provide voluntary health coverage to our career retired Federal civil employees is of vital importance and our Government, the Nation's largest employer, will be following in a pattern already established by progressive private industry and the State of New York.

AMENDMENT OF FEDERAL PROPERTY AND ADMINISTRATIVE SERVICES ACT, RELATING TO ADMINISTRATION OF OATHS TO WITNESSES

Mr. McCLELLAN. Mr. President, by request, I introduce, for appropriate reference, a bill to amend section 205 of the Federal Property and Administrative Services Act of 1949 to empower certain officers and employees of the General Services Administration to administer oaths to witnesses.

This bill is being introduced at the request of the Administrator of General Services as a part of the legislative program of the General Services Administration for 1959. I ask that a letter addressed to the President of the Senate by the Administrator of the General Services Administration under date of August 3, 1959, and a statement of justification, be printed in the RECORD as a part of my remarks.

The VICE PRESIDENT. The bill will be received and appropriately referred; and, without objection, the letter and justification will be printed in the RECORD.

The bill (S. 2580) to amend section 205 of the Federal Property and Administrative Services Act of 1949 to empower certain officers and employees of the General Services Administration to administer oaths to witnesses, introduced by Mr. McCLELLAN, by request, was received, read twice by its title, and referred to the Committee on Government Operations.

The letter and justification presented by Mr. McCLELLAN are as follows:

GENERAL SERVICES ADMINISTRATION,

Washington, D.C., August 3, 1959.

Hon. RICHARD M. NIXON,

President of the Senate, Washington, D.C.

My DEAR MR. PRESIDENT: There is forwarded herewith draft of legislation to amend section 205 of the Federal Property and Administrative Services Act of 1949, to empower certain officers and employees of the General Services Administration to administer oaths to witnesses.

This proposal is a part of the legislative program of the General Services Administration for 1959.

This proposed legislation would amend the Federal Property and Administrative Services Act of 1949 (63 Stat. 377; 40 U.S.C. 486), as amended, by adding a new subsection to section 205, which would authorize and empower all officers and employees of the General Services Administration engaged in investigatory functions to administer oaths in the performance of their duties, when so designated by the Administrator.

This proposal is urgently needed to enable GSA to improve its investigatory functions by administering oaths to persons prior to securing statements or in other capacities which will be beneficial in the protection of the Government's interests.

This statutory authority will aid GSA in carrying out its responsibilities with respect to protecting the Government's interest by a continuing administrative investigation and surveillance of the merchandise acquired by GSA for the use of all civil departments and agencies and the acquisition of strategic and critical material for the Government's stockpile. GSA's tremendous construction program and the maintenance of Government owned or leased buildings also requires constant, thorough administrative investigation.

The specific citations above merely indicate some of the fields in which it is necessary for this agency to carry on investigations. During fiscal year 1958, this agency investigated 1,477 cases of law violations resulting in 70 arrests, 44 convictions, and 103 disciplinary actions. The fines and recoveries totaled \$330,000. The enactment of this legislation would enable GSA's investigators to obtain statements which would be helpful in bringing to justice those who attempt to violate the law. In addition, it is believed that such authority would result in increased recoveries.

The enactment of this proposed legislation would not increase the expenditure of Federal funds, but could result in increased revenue.

The General Services Administration urges prompt and favorable consideration of this draft bill.

The Bureau of the Budget has advised that it interposes no objection to the submission of this bill to the Congress.

Sincerely yours,

FRANKLIN FLOETE,

Administrator.

JUSTIFICATION

This proposed legislation would amend section 205 of the Federal Property and Administrative Services Act of 1949 (63 Stat. 377) as amended, by adding a new subsection. This subsection would authorize and empower all officers and employees of the General Services Administration who are engaged in investigatory work to administer oaths, when so designated by the Administrator.

This authority is needed to enable the Administrator of General Services to carry out the responsibilities placed upon him by the Congress of the United States under the provisions of the Federal Property and Administrative Services Act, as amended. Among other things, the Administrator of General Services is required to acquire all common-use items for the use of all civilian departments, agencies, and independent establishments of the Government. Constant surveillance must be kept of the manner in which these items are acquired and of the quality of merchandise supplied by the contractors. The amount of Government funds expended is approximately \$741 million annually. Due to the tremendous volume of this purchasing program and the variety of contractors with whom GSA can and does do business, problems requiring inspection and investigation arise frequently.

There is the further necessity of investigating cases involving employee misconduct, generally.

Due to the widespread activities of the General Services Administration in the construction of buildings for the use of the Federal Government, many contract violations arise. The demand for quarters for Government agency activities is very heavy. It is contemplated that it will be necessary for GSA to project a building program which will require the expenditure of \$3 billion over a

period of 5 to 10 years. Since the major portion of these buildings are erected by contractors and subcontractors, it is incumbent upon the Administrator to determine that no statutory authority has been violated by the contractors before Federal funds are expended. This particular field needs the protection of every phase of this investigation.

Since General Services Administration is charged with the responsibility of acquiring the strategic and critical materials for the Government's stockpile and the necessary rotation of much of this material, a constant inspection and investigation surveillance of the activities leading to the accomplishment of this function is necessary.

The statements above give some indication of the variety of investigatory and protective work that is required to carry out the programs and functions of this agency. The volume of this work can be illustrated by reference to the Annual Report of the Administrator of General Services to the Congress for the year ending June 30, 1957. This report shows that during that fiscal year GSA investigated 1,477 cases of all types of violations of law. The results of these preliminary administrative investigations were submitted to the Department of Justice for further handling. As a consequence, 70 arrests were made, 44 convictions obtained and 103 disciplinary actions were taken. The fines and civil recoveries totaled \$330,000.

These investigations were made under the handicap of the investigator's not being able to place witnesses under oath at the time and place of taking statements. It is believed that the authority sought by this proposed legislation would enable this agency to secure a higher rate of recovery for the Government and assist in bringing to justice cases of actual violation. The persons interviewed in cases of this kind are found at many locations, sometimes after a difficult tracing and the statement taken by the investigator is all too frequently the only statement that can be obtained. A statement which is not made under oath does not result in a document that is of substantial weight in the prosecution of violations of the law. Furthermore, the person making the statement tends to be careless in his use of the truth when he realizes that he is not under oath and cannot be subjected to any penalty or legal action for any statement made, regardless of its falsity.

Upon the enactment of this much needed legislation, the Administrator of General Services will issue regulations setting forth the manner in which this amendment will be carried out. The Administrator is willing to assume the responsibility for making certain that the authority is not abused by those designated to exercise it. Only the officers and employees of this agency who are engaged in investigatory functions and will be so operating as to be able to use the authority effectively to secure sworn statements of witnesses, admissions, confessions, etc., will be designated as persons authorized and empowered to administer oaths.

APPOINTMENT OF NONUNIFORMED SPECIAL POLICEMEN BY ADMINISTRATOR OF GENERAL SERVICES

Mr. McCLELLAN. Mr. President, by request, I introduce a bill, for appropriate reference.

This bill proposes to empower the Administrator of General Services to appoint nonuniformed special policemen. It is being introduced at the request of the Administrator of General Services as a part of the legislative program of the General Services Administration for 1959.

Mr. President, I ask that a letter addressed to the President of the Senate by the Administrator of General Services under date of August 3, 1959, with a statement of justification, be printed in the RECORD as a part of my remarks.

The VICE PRESIDENT. The bill will be received and appropriately referred; and, without objection, the letter and justification will be printed in the RECORD.

The bill (S. 2581) to amend the act of June 1, 1948 (62 Stat. 281), to empower the Administrator of General Services to appoint nonuniformed special policemen, introduced by Mr. McCLELLAN, by request, was received, read twice by its title, and referred to the Committee on Government Operations.

The letter and justification presented by Mr. McCLELLAN are as follows:

GENERAL SERVICES ADMINISTRATION,
Washington, D.C., August 3, 1959.

Hon. RICHARD M. NIXON,
President of the Senate,
Washington, D.C.

DEAR MR. PRESIDENT: There is forwarded herewith draft of legislation, "To amend the Act of June 1, 1948 (62 Stat. 281), to empower the Administrator of General Services to appoint nonuniformed special policemen." A statement of justification is also enclosed.

This is a part of the legislative program of General Services Administration for 1959.

This proposed legislation would amend the act of June 1, 1948 (62 Stat. 281) by adding a new section which would authorize and empower the Administrator of General Services, or officials duly designated by him, to authorize officials and employees of GSA engaged in investigative functions to act as nonuniformed special policemen. This act now permits the Administrator to appoint uniformed guards as special policemen. This proposal is needed to enable General Services Administration to improve its effectiveness in protecting U.S. property through the investigation of suspected criminal activities in and around buildings and property under the charge or control of GSA. The effective surveillance of individuals suspected of being engaged in illegal operations is impossible if the investigators may be identified readily by their conspicuous uniforms.

There is statutory authority (43 Stat. 174, 176) permitting nonuniformed policemen to make investigations within the District of Columbia. Amendment of the act of June 1, 1948, is sought for the purpose of extending to all GSA controlled properties the authority of the Administrator of GSA to appoint and use nonuniformed special policemen as well as uniformed special policemen to protect Government property. The experience of General Services Administration is that nonuniformed special policemen have proved valuable for such protection purposes with respect to the Government land and buildings within the District of Columbia, and it is believed that other Government properties could be better protected by GSA's investigative personnel possessing the additional authority of special policemen.

The enactment of this proposed legislation would not increase the expenditure of Federal funds.

The General Services Administration urges prompt and favorable consideration of this draft bill.

The Bureau of the Budget has advised that it interposes no objection to the submission of this bill to the Congress.

Sincerely yours,

FRANKLIN FLOETE,
Administrator.

JUSTIFICATION

This proposed legislation would amend the act of June 1, 1948 (62 Stat. 281) by adding a new section. This section would authorize and empower the Administrator of General Services, or officials of this administration duly authorized by him, to appoint nonuniformed special policemen who are engaged in investigative work to operate on Federal property or in Federal buildings with authority to carry firearms while on duty whether in travel status or on Federal property under the charge or control of the United States.

This authority is needed to enable the Administrator of General Services to meet the requirements placed upon him by the Congress of the United States under the provision of the Federal Property and Administrative Services Act (63 Stat. 377), as amended. In the prevention of crimes and the protection of buildings and grounds under the control of this agency, it is essential that certain civilian employees engaged in investigative activities be empowered to act as special policemen without being required to wear uniforms. The effective surveillance of individuals suspected of being engaged in illegal operations is enhanced if these investigators are not readily identified by their uniforms.

Since special policemen with their arresting powers carry firearms and may frequently be reassigned from one public building to another, and may even be required to cross State lines, it is essential that they be specifically authorized to carry their firearms while in travel status. This will help to clarify their right to do so while within State and local jurisdiction.

The authority of these nonuniformed employees to exercise the powers of special policemen is a necessary adjunct to their investigative activities, since it is frequently of prime importance to make an immediate arrest of an offender whose identity is not known or who may have incriminating evidence in his possession. The services of these nonuniformed policemen have proved valuable in the District of Columbia where they are now operating pursuant to the act of May 27, 1924 (43 Stat. 174, 176).

The reasons for utilizing nonuniformed special policemen are valid throughout the Nation. In the past, such investigators have not had the authority of special policemen in such areas as that of the Pentagon and are not able to cope with suspected gambling offenses and other similar problems. Careful surveillance and immediate arrest are almost prerequisite to successful prosecution when such offenders have incriminating documents in their possession.

AMENDMENT OF FEDERAL PROPERTY AND ADMINISTRATIVE SERVICES ACT RELATING TO UTILIZATION OF EXCESS PROPERTY AND REIMBURSEMENT PROCEDURE

Mr. McCLELLAN. Mr. President, by request, I introduce, for appropriate reference, a bill to amend section 202(a) of the Federal Property and Administrative Services Act of 1949, as amended, to promote the utilization of excess property and to simplify the reimbursement procedure for transfers of such property.

This bill is being introduced at the request of the Administrator of General Services as a part of the legislative program of the General Services Administration for 1959. I ask that a letter addressed to the President of the Senate by the Administrator of General Services

Administration under date of July 23, 1959, which sets forth a statement of justification, be printed in the RECORD as a part of my remarks.

The VICE PRESIDENT. The bill will be received and appropriately referred; and, without objection, the letter will be printed in the RECORD.

The bill (S. 2582) to amend section 202(a) of the Federal Property and Administrative Services Act of 1949, as amended, to promote the utilization of excess property and to simplify the reimbursement procedure for transfers of such property, introduced by Mr. McCLELLAN, by request, was received, read twice by its title, and referred to the Committee on Government Operations.

The letter presented by Mr. McCLELLAN is as follows:

GENERAL SERVICES ADMINISTRATION,
Washington, D.C., July 23, 1959.

Hon. RICHARD NIXON,
President of the Senate,
Washington, D.C.

MY DEAR MR. PRESIDENT: There is enclosed for your consideration a draft of a bill to amend the Federal Property and Administrative Services Act of 1949, as amended, to promote the utilization of excess property and to simplify the reimbursement procedure for transfers of such property.

Enactment of this proposal, which would amend section 202(a) of the Federal Property and Administrative Services Act of 1949, as amended, should result in substantial additional economies to the Government and to the taxpayers. The principal amendment sought by the bill is clarification of the authority of the Administrator of General Services to determine the extent of reimbursement on transfers within the Government of excess property held in working-capital or stock funds established pursuant to section 405 of the National Security Act of 1947, as amended, or in similar funds.

At the outset, it should be noted that GSA regulations (1-III-303.03 and 2-IV-202.07) provide for certain transfers of excess property between agencies without reimbursement.

Such provision is based on congressional recognition, clearly expressed in the legislative history of Public Law 522, 82d Congress (66 Stat. 593, amending sec. 202 of the Federal Property and Administrative Services Act of 1949), that concrete savings to the taxpayer are effected by utilizing property already paid for by one agency of the Government, through transfer to another agency without reimbursement, where such other agency has a genuine need for the property but insufficient funds to pay the prescribed fair value, or where other circumstances exist which justify such transfers.

Where excess personal property is no longer needed by one agency and is not utilized by other agencies because they lack the funds for reimbursement, despite a firm need for the property, it is disposed of by donation or sale, often with little or no net Government return (other than the public benefit aspect in the case of donation). This situation is fully described in House hearings on H.R. 5350, pages 11-21; House Report No. 1524, page 4; Senate Report No. 2075, pages 3-4, all of the 8d Congress, in connection with enactment of Public Law 522.

As a result, however, of Department of Defense stock fund directive 7420.1 (February 1, 1954, released December 19, 1956), the military departments have declined to transfer any excess personal property carried in working capital or stock funds established under the National Security Act of 1947, as amend-

April 21, 1960

14. FARM PROGRAM. Sen. Hruska inserted an article, "Fish or Cut Bait on Farm Issue," which suggests that since the President has expressed a willingness to approve "any farm bill which meets certain broad standards" it is up to the Congress to act on farm legislation this year. p. 7874
15. PERSONNEL. The Post Office and Civil Service Committee voted to report (but did not actually report) ~~S. 2857, to provide for refunds of contributions in the case of annuitants whose length of service exceeds the amount necessary to provide the maximum annuity; S. 2575, to provide a health benefits program for certain retired employees; H. R. 8241, to amend certain provisions of the Civil Service Retirement Act relating to the reemployment of former Members of Congress; and H. R. 8289, to accelerate the commencing date of civil service retirement annuities; and postponed action on S. 1638, to provide for an effective system of personnel administration for the executive branch of the Government.~~ p. D327
16. LANDS. Sens. Bartlett, Gruening, and Engle criticized the Departments of Defense and Interior regarding "what appears to be a plain violation of the law passed by Congress with respect to military withdrawals of public lands." pp. 7879-82
17. FRUITS AND VEGETABLES. Sen. Smathers commended and inserted an article, "Youthful Government's Inefficiency Leads to a Tangled Economy ...," which includes a reference to the withdrawal by this Department of fruit and vegetable inspectors. pp. 7872-3
18. ADJOURNED until Mon., April 25. p. 7889

ITEMS IN APPENDIX

19. PERSONNEL. Rep. Wolf inserted a resolution adopted by Government Employees' Council, AFL-CIO, calling for a pay raise for Federal employees. p. A3465
20. FORESTS. Extension of remarks of Rep. Cunningham describing the celebration of Arbor Day in Nebraska. pp. A3466-7
21. AREA REDEVELOPMENT. Rep. Lane inserted a Textile Workers Union resolution urging passage of S. 722, the proposed area redevelopment bill. p. A3473
Extension of remarks of Rep. Saylor criticizing the continued expenditure of "vast sums of American funds to friends and foes alike in far-off reaches around the world while U. S. communities are denied a small percentage of such expenditures for the express purpose of getting our own people back to work." pp. A3486-7

SENATE continued

22. ATOMIC ENERGY; ELECTRIFICATION. As reported by the Joint Atomic Energy Committee (see Digest 71), H. R. 11713 and S. 3387, the Atomic Energy Commission authorization bills for 1961, contain provisions as follows: Authorizes \$211,476,000 for new construction projects, including reactor development, physical research, biology and medicine, and 3 atomic power plants in the Antarctic for support of defense and scientific facilities located there. No new prototype reactors are provided for 1961 in the 10 year plan submitted by AEC to the Joint Committee. The Joint Committee added a section "authorizing the Commission within its discretion to proceed with design and engineering studies on facilities for food irradiation," and stated as follows:

"In hearings before the Joint Committee on January 14-15, 1960, and the Research and Development Subcommittee on March 31, 1960, testimony was received as to the failure by the Department of Army to support adequately the national food irradiation research program. The interdepartmental Committee on Radiation Preservation of Foods on February 12, 1960, recommended that the Atomic Energy Commission be designated as the operating agency for the civilian portion of this national program and the Commission accepted the assignment. ***

"The Joint Committee thus wishes to indicate its support for this part of the atoms-for-peace program and its intention to follow closely the food irradiation program to assure it will not be further delayed."

BILLS INTRODUCED

23. VETERANS' BENEFITS. H. R. 11858, by Rep. George, to extend the veterans' home loan program to February 1, 1965; to provide for direct loans to veterans in areas where housing credit is otherwise not generally available; to Veterans' Affairs Committee.
24. LABELING. H. R. 11859, by Sen. Glenn, to amend the Federal Food, Drug, and Cosmetic Act to require that packages of fruits and vegetables be labeled to show the State where such fruits and vegetables were grown; to Interstate and Foreign Commerce Committee.
25. WATER POLLUTION. H. R. 11860, by Rep. Halpern, to amend the Federal Water Pollution Control Act to expand research, extend State and interstate water pollution control program grants, and strengthen enforcement procedures; to Public Works Committee.
26. FARM PROGRAM. H. R. 11869, by Rep. Porter, to reduce the cost to the U. S. Treasury of farm price and income stabilization programs, to provide means by which producers may balance supply with demand at a fair price, to reduce the volume and costs of maintaining Commodity Credit Corporation stocks, to provide for distribution to needy people and public institutions of additional needed high protein foods, to preserve and improve the status of the family farm through greater bargaining power; to Agriculture Committee.
27. PERSONNEL. H. R. 11875, by Rep. Stratton, to adjust the rates of basic compensation of certain officers and employees of the Federal Government; to Post Office and Civil Service Committee.

PRINTED HEARINGS RECEIVED BY THIS OFFICE

28. APPROPRIATIONS. USDA appropriations for 1961, Part 3. Includes CSS, FCA, Library, OGC, Information, and Office of the Secretary. H. Appropriations Committee.
Independent offices appropriations for 1961, part 3 (Nat'l Aeronautics and Space Administration and Nat'l Science Foundation). H. Appropriations Committee.
Dept. of Defense appropriations for 1961, part 6 (research, development, test, and evaluation). H. Appropriations Committee.
29. FORESTRY; RECREATION. S. 4, to provide for the establishment of the Padre Island National Park, in the State of Texas. S. Interior and Insular Affairs Committee.

Digest of CONGRESSIONAL PROCEEDINGS

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF
BUDGET AND FINANCE

(For Department
Staff Only)

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For actions of April 25, 1960
86th-2d, No. 74

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HIGHLIGHTS: Senate committee reported mutual security authorization bill. Senate passed Treasury-Post Office appropriation bill. House committee reported bill for multiple use management of national forests. Senator Ellender introduced user charges bill.

HOUSE

1. FORESTRY. The Agriculture Committee reported with amendment H. R. 10572, to direct that the national forests be managed under principles of multiple use and sustained yield (H. Rept. 1551). p. 8049
2. WATER RESOURCES. The Interior and Insular Affairs Committee reported with amendment H. R. 10513 permitting Kans. and Nebr. to negotiate and enter into a compact relating to apportionment of the waters of the Big Blue River and its tributaries as they affect such States (H. Rept. 1550). p. 8049
3. YOUTH CONSERVATION CORPS. Rep. Johnson, Colo., urged favorable committee action at an early date on S. 812, to establish a Youth Conservation Corps. p. 8037
4. FOREST ROADS. As reported by the Public Works Committee (see Digest 73) H. R. 10495, the Federal highway construction bill for 1960, contains an item of \$35,000,000 for forest development roads and trails for the fiscal year 1963.

SENATE

5. **MUTUAL SECURITY.** The Foreign Relations Committee reported with amendment (Apr. 22, during adjournment) S. 3058, the mutual security authorization bill (S. Rept. 1286). p. 7971
6. **EXPORT CONTROL.** The Banking and Currency Committee reported without amendment H. R. 10550, to extend the Export Control Act of 1949 for two additional years, until June 30, 1962 (S. Rept. 1287). p. 7972
7. **PERSONNEL.** The Post Office and Civil Service Committee reported the following bills: p. 7972
S. 2575, with amendment, to provide a health benefits program for certain retired employees of the Government (S. Rept. 1288).
H. R. 8241, with amendment, to amend the Civil Service Retirement Act so as to set terms, conditions, and computation of annuities for retired Members of Congress who are reemployed by the Federal Government (S. Rept. 1289).
8. **TREASURY-POST OFFICE APPROPRIATION BILL, 1961.** By a vote of 75 to 0, passed with amendments this bill, H. R. 10569. Conferees were appointed. pp. 8001, 8003-13
9. **SUGAR.** Sen. Church submitted an amendment he intends to propose to S. 3361, to extend the Sugar Act. He explained that the proposed amendment would reassign to our domestic sugar producers the Cuban quota of the annual growth increment, and that the "Secretary of Agriculture would be required to give to new and small producers a preference as to any increased acreage resulting from this reassignment." pp. 7930-1
Sen. Bennett requested that his name be added to the list of cosponsors of S. 3361, the Ellender sugar bill, stating that the provisions of this bill and his own bill, S. 3210, were acceptable to him, and that he had "been given assurance that either would be entirely acceptable to the men who must administer the act and use the powers." p. 8026
10. **WILDERNESS AREAS.** Sen. Bennett expressed his support for the proposed substitute bill by Sens. O'Mahoney and Allott for S. 1123, the wilderness preservation bill, stating his fear that the original bill as introduced "would give executive branch bureaucratic zealots with a wilderness monomania the unfettered power to invade and lock up forever vast stretches of our public domain," and inserted his statement discussing the bill. pp. 8026-8
11. **WATERSHED; BUDGET.** Sen. Allott inserted the address of Budget Bureau Director Stans at the National Watershed Congress discussing "the relationship of the Federal and local governments in the /watershed/ program, and the needs for proper use and development of our natural resources," and several newspaper items commenting on the Stans address. pp. 8017-9
12. **APPROPRIATIONS.** Sen. Byrd, Va., inserted a "current box score on appropriations before Congress this year," which was prepared by the Tax Foundation, Inc. pp. 8022-3
13. **SURPLUS COMMODITIES; STOCKPILE.** Sen. Byrd, Va., submitted the monthly report of the Joint Committee on Reduction of Nonessential Federal Expenditures on Federal stockpile inventories under this Department, GSA, and OCDM. pp. 7972-8

RETIRED FEDERAL EMPLOYEES HEALTH BENEFITS
ACT OF 1960

APRIL 25, 1960.—Ordered to be printed

Mr. JORDAN, from the Committee on Post Office and Civil Service,
submitted the following

REPORT

[To accompany S. 2575]

The Committee on Post Office and Civil Service, to whom was referred the bill (S. 2575) to provide a health benefits program for certain retired employees of the Government, having considered the same, report favorably thereon with an amendment and recommend that the bill, as amended, do pass.

AMENDMENT

The committee amendment to S. 2575 strikes out all after the enacting clause and inserts in lieu thereof a substitute text which appears in the reported bill in *italic type*.

STATEMENT

This bill, as amended, will provide former Federal employees retired prior to the effective date of the Health Benefits Act of 1959 (the first day of the first pay period which begins on or after July 1, 1960) with a health benefits program patterned after and somewhat comparable to the program which becomes available on that date to present employees and future retirees.

The conditions of eligibility for those currently retired are the same as for employees who will retire in the future; i.e., the individual must have retired on an immediate annuity with 12 or more years of service or due to disability. Also, eligible are survivor annuitants of retirees who would have been eligible in their own right as annuitants.

The contribution of the Government will approximate 50 percent of the cost in each instance under the same conditions as enacted into law last year with respect to current employees and future retirees. The Civil Service Commission estimates that the first-year cost to the

Government will run between \$15 and \$20 million and will decrease each year as the number of former employees now on the retirement rolls diminishes.

The bill fixes the effective date of the program as January 1, 1961. This future date was fixed in order to allow the Civil Service Commission ample time in which to develop the program and establish the machinery with which to administer it.

SECTIONAL ANALYSIS

Section 1. Short title

Provides a short title: "Retired Federal Employees Health Benefits Act of 1960."

Section 2. Definitions

Incorporates by reference applicable definitions contained in the Federal Employees Health Benefits Act and adds definition of "retired employee" the only additional term peculiar to this bill. "Retired employee" is defined as an employee or member of a family who would be an annuitant under the Federal Employees Health Benefits Act of 1959 had he not retired prior to the effective date of that act. In other words, coverage is extended to those individuals who possess essentially the same service qualifications as are required for annuitants' coverage under Public Law 86-382, approved September 28, 1959, except that the individuals covered by this bill must have become annuitants before July 1, 1960.

Section 3. Establishment of program

Authorizes and directs the Civil Service Commission to establish a health benefits program for retirees and members of their families not eligible for benefits under the program established by the 1959 act for current employees and future retirees.

This section directs that the program shall permit retired employees enrolled on January 1, 1961, in any health benefits plan of a carrier approved under the 1959 act, or of a carrier otherwise approved by the Commission, to continue such enrollment except that when enrollment in any such plan becomes so small as to be uneconomical, approval may be withdrawn by the Commission provided the remaining retirees are given an opportunity to transfer enrollment to another plan.

Section 4. Enrollment

This section requires enrollment within 90 days after October 1, 1960, and consent to deductions from the employees annuity or other benefit payments to cover his cost of the program.

Section 5. Costs

This section provides for contributions by the Government and by annuitants to the overall cost of the program.

Paragraph (1) of subsection (a) fixes the minimum and maximum

Government contribution to be prescribed by Commission regulation as follows:

If retired employee is enrolled for—	Monthly	
	Minimum	Maximum
Self only.....	\$2. 70	\$3. 80
Self and spouse.....	5. 40	7. 60
Self and spouse who is nondependent husband.....	2. 70	3. 80
Self and family.....	6. 50	9. 20
Self and family which includes a nondependent husband.....	3. 80	5. 40

Paragraph (2) of subsection (a) provides that if the total subscription charge is less in any instance than twice the minimum set forth in paragraph (1) the contribution of the Government shall be 50 percent of the total charge, except in the case of a female retired employee who enrolls for self and a nondependent husband, the Government's contribution shall be 25 percent or if a female retired employee enrolls for self and family which includes a nondependent husband, the Government's contribution shall be 30 percent.

Subsection (b) authorizes the withholding from the annuity or compensation of each enrollee of the difference between the total subscription charge of the plan in which he is enrolled and the Government's contribution to the subscription charge.

Subsection (c) authorizes an annual appropriation to be made to cover the Government's cost of the program.

Section 6. Retired employees' health benefits fund

Subsection (a) creates a retired employees' health benefits fund to be administered by the Civil Service Commission.

Subsection (b) provides that the fund shall be available without fiscal year limitation for benefit payments and expenses incurred by the Commission. The Commission is limited in administrative expense which it may incur to an amount not in excess of 2 percent of the amount of the Government's contribution to the program.

Subsection (c) provides that any moneys remaining in the fund after the payment of benefits and expenses may be used to defray increases in future rates, reduce contributions or increase benefits, as the Commission may determine.

Section 7. Administration

This section provides for administration of the act by the Civil Service Commission.

Section 8. Annual report

This section stipulates that the Commission shall report to the Congress annually concerning the operation of the act.

Section 9. Effective date

The section provides that the health benefits program under the act shall take effect January 1, 1961.

PUBLIC HEARINGS

Public hearings on the bill were held on September 2, 1959. Favorable testimony was received from all sources except the administration who opposed the bill for budgetary reasons. During the hearings a number of technical suggestions were made by the Civil Service Commission which were incorporated in the bill as reported.

AGENCY VIEWS

Following is a letter from the Civil Service Commission in regard to the bill as reported.

U.S. CIVIL SERVICE COMMISSION,
Washington, D.C., April 20, 1960.

HON. OLIN D. JOHNSTON,
U.S. Senate.

DEAR SENATOR JOHNSTON: This is in further reply to your letter of August 25, 1959, requesting the Commission's views and comments on the bill S. 2575, to provide a health benefits program for certain retired employees of the Government, and in response to your request of April 19, 1960 for comment on Committee Print No. 2 dated February 12, 1960.

The Commission's report of September 2, 1959, on S. 2575 included the following:

"The current fiscal position of the Federal Government is such that the administration finds it necessary to oppose enactment of S. 2575 at this time. The Commission points out that enactment now would be contrary to an approved policy of opposing new programs, at least until fiscal conditions improve."

The stated position of opposition to enactment of S. 2575 at this time remains unchanged.

Committee Print No. 2 makes several changes from the provisions of S. 2575 as introduced, and comment on these changes might be helpful.

First, the original S. 2575 gave no indication as to the carrier or number of carriers with which the Commission might contract for health benefits plans to cover retired employees and survivors. Committee Print No. 2 would permit a retired employee enrolled in any plan of any one of about 40 carriers approved under the Federal Employees Health Benefits Act of 1959, or a carrier otherwise approved by the Commission, to continue his enrollment with such carrier. This provision apparently contemplates that the retired employee would continue under the same benefits and at the same rate as his current plan provides, but with the Government contributing toward his subscription charge. In lieu of remaining with his present carrier, the retired employee could elect to be covered by the plan, or by one of a number of plans, to be approved by the Commission for retired employees generally. No standards for selection of such carrier or carriers are given.

While normally a free choice of type of plan is desirable, in this particular instance the value of free choice may quite possibly be outweighed by other considerations. For example, our experience with retired employees, with whom all contacts are by mail rather than by face-to-face counseling, indicates that the exercise of a choice is not

an easy decision for annuitants to make, particularly those of advanced age. Also, the division of annuitants into numerous small plans might easily diminish the benefits otherwise available by intensifying the poor-risk characteristics of each of a number of such small groups, and by increasing administrative costs. Finally, our experience thus far in implementing the Federal Employees Health Benefits Act of 1959 clearly indicates that dealing with a multiplicity of carriers creates serious administrative problems and vastly increases printing and other costs.

A second substantial change from the original S. 2575 is in the provision creating two additional classes in the rate structure. To the original classes of self only, self and family, and self and family with a nondependent husband, Committee Print No. 2 has added the classes of self and spouse, and self and spouse who is a nondependent husband. We question whether the actual cost for the class of self and spouse (in an age group where children are grown), is any less than cost for the class of self and family (in an age group where children are still under age 19).

The third important change is the deletion in Committee Print No. 2 of the provision for deriving the Government's contribution from proceeds of the sale of securities issued under the Second Liberty Bond Act. The Commission originally objected to this provision and favors its deletion.

A fourth and final major change is in deferring the proposed effective date to January 1, 1961. On the score of this short deadline alone, the Commission would feel obliged to object to enactment unless the scope of the bill were narrowed to provide for only one, or at the most two, health benefit plans for retired employees and survivors.

The remaining changes proposed by Committee Print No. 2 are of a technical and clarifying nature which result in overall improvement in the bill.

Committee Print No. 2 makes no change in the number or composition of the group of retired employees and survivors who would become eligible to enroll for a health benefits plan. We estimate that about 315,000 retired employees, whose annuities average \$175 a month, and about 100,000 widows, whose annuities average \$55 a month, would qualify for enrollment. While these figures include only those receiving annuities under the Civil Service Retirement Act, the annuitants under other retirement systems would not appreciably affect the totals. The average annuity given for a widow does not include any annuity she may receive as payee for minor children who would be eligible for coverage as family members.

The Bureau of the Budget advises that there is no objection to the submission of this report.

By direction of the Commission:

Sincerely yours,

BARBARA GUNDERSON, *Acting Chairman.*



5.25/5

5.25/5

Calendar No. 1321

86TH CONGRESS
1ST SESSION

S. 2575

[Report No. 1288]

IN THE SENATE OF THE UNITED STATES

AUGUST 21, 1959

Mr. NEUBERGER (for himself, Mr. JOHNSTON of South Carolina, Mr. CARLSON, Mr. MONRONEY, Mr. YARBOROUGH, Mr. LANGER, Mr. CLARK, Mr. SMATHERS, Mr. JAVITS, Mr. MAGNUSON, Mr. PASTORE, Mr. MOSS, Mr. KEATING, Mr. JACKSON, Mr. KEFAUVER, Mr. RANDOLPH, Mr. GRUENING, Mr. HUMPHREY, Mr. BEALL, Mr. CAPEHART, Mr. BUTLER, Mr. HARTKE, and Mr. MARTIN) introduced the following bill; which was read twice and referred to the Committee on Post Office and Civil Service

APRIL 25, 1960

Reported by Mr. JORDAN, with an amendment

[Strike out all after the enacting clause and insert the part printed in italic]

A BILL

To provide a health benefits program for certain retired employees of the Government.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That ~~this Act may be cited as the "Federal Annuitants~~
4 ~~Health Benefits Act of 1959."~~

5 SEC. 2. As used in this Act—

6 (a) The term "annuitant" means any of the following
7 who are not eligible for coverage under the Federal Em-

1 ployees Health Benefits Act of 1959: (1) an employee who
2 has heretofore retired or who prior to July 1, 1960 retires
3 on an immediate annuity, under the Civil Service Retirement
4 Act or other retirement system for civilian employees
5 of the Government, after twelve or more years of service or
6 for disability; (2) a member of the family who receives an
7 immediate annuity as the survivor of a retired employee
8 described in clause (1); or of an employee who dies prior
9 to July 1, 1960 after completing five or more years of
10 service; (3) an employee who receives monthly compensation
11 under the Federal Employees Compensation Act as a
12 result of injury sustained or illness contracted prior to July
13 1, 1960 and who is determined by the Secretary of Labor
14 to be unable to return to duty; and (4) a member of a
15 family who receives monthly compensation under the Federal
16 Employees Compensation Act as the surviving beneficiary
17 of (i) an employee who dies after completing five
18 or more years of service as a result of injury sustained or
19 illness contracted prior to July 1, 1960 or (ii) a former
20 employee who is separated after completing five or more
21 years of service and who dies while receiving monthly compensation
22 under such Act on account of injury sustained or
23 illness contracted prior to July 1, 1960. For the purpose of
24 this subsection, "service" means service which is creditable
25 for the purposes of the Civil Service Retirement Act.

1 (b) The term "employee" means an appointive or elec-
2 tive officer or employee in or under the executive, judicial,
3 or legislative branch of the United States Government, in-
4 cluding a Government-owned or controlled corporation (but
5 not including any corporation under the supervision of the
6 Farm Credit Administration, of which corporation any mem-
7 ber of the board of directors is elected or appointed by
8 private interests), or of the municipal government of the
9 District of Columbia, and includes an Official Reporter of
10 Debates of the Senate and a person employed by the Official
11 Reporters of Debates of the Senate in connection with the
12 performance of their official duties, and an employee of Gal-
13 laudet College, but does not include (1) a member of a
14 "uniformed service" as such term is defined in section 1072
15 of title 10 of the United States Code, (2) a noncitizen em-
16 ployee whose permanent-duty station is located outside a
17 State of the United States or the District of Columbia, or (3)
18 an employee of the Tennessee Valley Authority.

19 (c) The term "member of family" means an annuitant's
20 spouse, unmarried child under the age of nineteen years (in-
21 cluding (1) an adopted child, and (2) a stepchild or recog-
22 nized natural child who lives with the annuitant in a regular
23 parent-child relationship), or unmarried child regardless of
24 age who is incapable of self-support because of a mental
25 or physical incapacity that existed prior to his reaching the

1 age of nineteen years and who is in fact dependent on the
2 annuitant for over one-half his support.

3 (d) The term "dependent husband" means a husband
4 who is incapable of self-support by reason of mental or phys-
5 ical disability which can be expected to continue for more
6 than a year.

7 (e) The term "health benefits plan" means an insurance
8 policy or contract, medical or hospital service agreement,
9 membership or subscription contract or similar arrangement
10 provided by a carrier for the purpose of providing, paying
11 for, or reimbursing expenses for health services.

12 (f) The term "Commission" means the United States
13 Civil Service Commission.

14 SEC. 3. The Commission is authorized and directed to
15 establish a health benefits program for annuitants and mem-
16 bers of their families who are not eligible for coverage under
17 the Federal Employees Health Benefits Act of 1959. Ex-
18 cept as provided in this Act, benefits under such program,
19 and the conditions under which they shall be payable, shall
20 correspond as nearly as practicable, to the extent possible
21 with the funds available under this Act, to the benefits pro-
22 vided under the Federal Employees Health Benefits Act of
23 1959.

24 SEC. 4. (a) If an annuitant enrolls in a health benefits
25 plan under this Act for himself only, there shall be withheld

1 from the annuity of such annuitant as his contribution an
2 amount not to exceed \$3.80 monthly, and the Government
3 shall contribute a like amount.

4 ~~(b)~~ Except as provided in paragraph ~~(c)~~, if an an-
5 nuitant enrolls in a health benefits plan under this Act for
6 himself and members of his family there shall be withheld
7 from the annuity of such annuitant, as his contribution an
8 amount not to exceed \$9.20, and the Government shall con-
9 tribute a like amount.

10 ~~(c)~~ If a member of the family of a female annuitant,
11 who enrolls in a health benefits plan under this Act for her-
12 self and members of her family, is a husband, other than a
13 dependent husband, there shall be withheld from the annuity
14 of such annuitant as her contribution an amount not to ex-
15 ceed \$13 monthly, and the Government shall contribute an
16 amount not to exceed \$5.50 monthly.

17 SEC. 5. The program authorized by this Act shall not
18 be applicable to any annuitant or member of his family unless
19 such annuitant elects, within ninety days after July 1, 1960,
20 to be covered by such program, and consents to the deduc-
21 tion from his annuity or other benefit payments of such
22 amounts as the Civil Service Commission shall prescribe as
23 contributions to the cost of such program.

24 SEC. 6. There is hereby created a Federal Annuitants
25 Health Benefits Fund, hereinafter referred to as the "Fund",

1 which is hereby made available without fiscal year limitation
2 for the payment of all premiums or subscription charges
3 under policies or contracts purchased or entered into under
4 section 7, and for payment of expenses incurred by the Com-
5 mission in administering the program authorized by this
6 Act. The amounts withheld from the annuities of annui-
7 tants, and the amounts contributed by the Government to-
8 ward the cost of health benefits for such annuitants shall be
9 paid into the Fund. For purposes of the payments provided
10 for in this section, the Secretary of the Treasury is author-
11 ized to use the proceeds of the sale of any securities issued
12 under the Second Liberty Bond Act as now in force or as
13 hereafter amended, and the purposes for which securities
14 may be issued under the Second Liberty Bond Act are hereby
15 extended to include this purpose. The income derived from
16 any dividends, premium rate credits or other refunds shall be
17 credited to and constitute a part of the Fund. Any amounts
18 remaining in such Fund after all premium or subscription
19 charges have been paid, and after the amounts referred to
20 in the preceding sentence have been set aside, shall be re-
21 tained as a special reserve for adverse fluctuations in future
22 charges, or may be applied to reduce the contributions of
23 employees and the Government to, or to increase the bene-
24 fits provided by, the plan from which such amounts are

1 derived, as the Commission shall from time to time deter-
2 mine. The Secretary of the Treasury is authorized to invest
3 and reinvest any of the moneys in the Fund in interest-
4 bearing obligations of the United States and to sell such
5 obligations of the United States for the purposes of the
6 Fund. The interest on and the proceeds from the sale of
7 any such obligations shall become a part of the Fund.

8 SEC. 7. The Civil Service Commission is authorized to
9 prescribe such regulations and, without regard to section
10 3709 of the Revised Statutes or other provisions of law re-
11 quiring competitive bidding, to enter into such contracts or
12 arrangements, or purchase such policies, as may be neces-
13 sary to establish and carry out the program authorized by
14 this Act.

15 SEC. 8. The Commission shall transmit to the Congress
16 annually a report concerning the operation of this Act.

17 SEC. 9. The health benefits program authorized by this
18 Act shall take effect on July 1, 1960.

19 *That this Act may be cited as the "Retired Federal Employ-*
20 *ees Health Benefits Act of 1960."*

21 DEFINITIONS

22 SEC. 2. *As used in this Act—*

23 (a) *The terms "employee", "member of family", "de-*
24 *pendent husband", "health benefits plan", "carrier", "em-*

1 ployee organization", and "Commission" have the same
2 meanings as in the Federal Employees Health Benefits Act
3 of 1959.

4 (b) "Retired employee" means an employee or member
5 of a family who would be an annuitant under the Federal
6 Employees Health Benefits Act of 1959 had he not become
7 an annuitant prior to the effective date of that Act.

8 ESTABLISHMENT OF HEALTH BENEFITS PROGRAM

9 SEC. 3. The Commission is authorized and directed to
10 establish a health benefits program for retired employees and
11 members of their families who are not eligible for coverage
12 under the Federal Employees Health Benefits Act of 1959.
13 Such program shall permit retired employees enrolled, on
14 the effective date of this Act, in any health benefits plan of
15 a carrier approved under the Federal Employees Health
16 Benefits Act of 1959, or of a carrier otherwise approved
17 by the Commission, to continue such enrollment under the
18 provisions of this Act. The Commission may withdraw from
19 participation in the plan of any carrier when in its judg-
20 ment the number of retired employees and members of their
21 families enrolled in such plan is not large enough to warrant
22 the administrative cost of continuance, but in any such case
23 the retired employees and members of their families covered

1 by such plan shall be given full opportunity for transfer to
2 another approved plan.

3 ENROLLMENT

4 SEC. 4. The program authorized by this Act shall not
5 be applicable to any retired employee or member of his
6 family unless such retired employee elects, within ninety days
7 after October 1, 1960, to be covered by such program, and
8 consents to the deduction from his annuity or other benefit
9 payments of such amounts as are prescribed pursuant to
10 section 5 as his contributions to the cost of such program.

11 CONTRIBUTIONS

12 SEC. 5. (a) (1) Except as provided in paragraph (2),
13 if a retired employee enrolls in an approved health benefits
14 plan, the Government shall contribute toward his subscription
15 charge such amounts as the Commission by regulation may
16 from time to time prescribe. The amounts so prescribed
17 shall not be less than the minimums or more than the maxi-
18 mums in the following schedule:

If retired employee is enrolled for—	Monthly minimum	Monthly maximum
Self only-----	\$2.70	\$3.80
Self and spouse-----	5.40	7.60
Self and spouse who is a nondependent husband---	2.70	3.80
Self and family-----	6.50	9.20
Self and family which includes a nondependent husband-----	3.80	5.40

1 (2) If the total monthly subscription charge is less than
2 \$5.40 for a retired employee enrolled for self alone, \$10.80
3 for a retired employee enrolled for self and spouse, or \$13.00
4 for a retired employee enrolled for self and family, the con-
5 tribution of the Government shall be 50 per centum of such
6 subscription charge, except that if a female retired employee
7 enrolls for self and a nondependent husband, the Govern-
8 ment's contribution shall be 25 per centum of such subscrip-
9 tion charge or if a female retired employee enrolls for self
10 and family which includes a nondependent husband the
11 Government's contribution shall be 30 per centum of such
12 subscription charge.

13 (b) There shall be withheld from the annuity or com-
14 pensation of each enrolled retired employee so much as is
15 necessary, after deducting the contribution of the Government,
16 to pay the total charge for his enrollment.

17 (c) The amounts authorized by subsection (a) to be
18 contributed by the Government shall be paid from annual
19 appropriations which are hereby authorized to be made for
20 such purpose.

21 RETIRED EMPLOYEES' HEALTH BENEFITS FUND

22 SEC. 6. (a) The contributions of retired employees and
23 the Government shall be deposited in the Retired Employees'
24 Health Benefits Fund, hereinafter referred to as the "Fund",

1 *which is hereby created and which shall be administered by*
2 *the Commission.*

3 *(b) The Fund shall be available without fiscal year limi-*
4 *tation for all payments on account of health benefits plans and*
5 *for payment of expenses incurred by the Commission in ad-*
6 *ministering this Act, but not to exceed 2 per centum of the*
7 *Government contribution.*

8 *(c) Any contributions remaining in the Fund after the*
9 *payments described in subsection (b) have been made and*
10 *any dividends or other refunds made by a carrier shall be*
11 *set aside in the Fund as a contingency reserve for that car-*
12 *rier. Such contingency reserve may be used to defray in-*
13 *creases in future rates of or to reduce the retired employees'*
14 *and the Government's contributions, or to increase the health*
15 *benefits provided, as the Commission may from time to time*
16 *determine.*

17 *(d) The Secretary of the Treasury is authorized to in-*
18 *vest and reinvest any of the moneys in the Fund in interest-*
19 *bearing obligations of the United States for the purposes of*
20 *the Fund. The interest on and the proceeds from the sale*
21 *of any such obligations shall become a part of the Fund.*

22 *ADMINISTRATION*

23 *SEC. 7. (a) The Commission shall administer this Act,*
24 *negotiate contracts for the plans provided in section 3 without*

1 regard to section 3709 of the Revised Statutes, as amended
2 (41 U.S.C. 5), and prescribe such regulations as are neces-
3 sary to give full effect to the purposes of this Act. Such reg-
4 ulations may include, but are not limited to, the following:

5 (1) Minimum standards to be met by a carrier;

6 (2) Exclusions of retired employees from coverage;

7 (3) Beginning and ending dates of coverage;

8 (4) Temporary extension of coverage;

9 (5) Changes in enrollment;

10 (6) Questions of dependency:

11 (7) Certificates and other information to be furnished
12 retired employees;

13 (8) Contributions during periods of suspension of an-
14 nuity payments and in other extraordinary situations; and

15 (9) Adjustment of contributions to nearest ten cents.

16 (b) The Commission may request carriers to furnish
17 such reasonable reports as the Commission determines to be
18 necessary to enable it to carry out its functions under this
19 Act. The carriers shall furnish such reports when requested
20 and permit the Commission and representatives of the Gen-
21 eral Accounting Office to examine such records of the car-
22 riers as may be necessary to carry out the purposes of this
23 Act.

24 (c) Each agency of the United States or the District
25 of Columbia which administers a retirement system for

1 annuitants shall keep such records, make such certifications,
2 and furnish the Commission with such information and
3 reports as may be necessary to enable the Commission to
4 carry out its functions under this Act.

5 (d) There are hereby authorized to be expended from
6 Employees' Life Insurance Fund, without regard to limita-
7 tions on expenditures from that Fund, for fiscal years 1960,
8 1961, and 1962, such sums as may be necessary to pay ad-
9 ministrative expenses incurred by the Commission in carrying
10 out the health benefits provisions of this Act. Reimbursements
11 to the Employees' Life Insurance Fund for sums so ex-
12 pended, together with interest at a rate to be determined by
13 the Secretary of the Treasury, shall be made from the Retired
14 Employees' Health Benefits Fund which is hereby made
15 available for this purpose.

16 SEC. 8. The Commission shall transmit to the Congress
17 annually a report concerning the operation of this Act.

18 EFFECTIVE DATE

19 SEC. 9. The health benefits program provided for by
20 section 3 of this Act shall take effect January 1, 1961. The
21 contributions provided for by section 5 of this Act shall take
22 effect on December 1, 1960, with respect to annuity or com-
23 pensation accruing for periods beginning on and after that
24 date.

A BILL

To provide a health benefits program for certain retired employees of the Government.

By Mr. NEUBERGER, Mr. JOHNSTON of South Carolina, Mr. CARLSON, Mr. MONRONEY, Mr. YARBOROUGH, Mr. LANGER, Mr. CLARK, Mr. SMATHERS, Mr. JAVITS, Mr. MAGNUSON, Mr. PASTORE, Mr. MOSS, Mr. KEATING, Mr. JACKSON, Mr. KEFAUVER, Mr. RANDOLPH, Mr. GRUENING, Mr. HUMPHREY, Mr. BEALL, Mr. CARPENT, Mr. BUTLER, Mr. HARKE, and Mr. MARTIN

AUGUST 21, 1959

Read twice and referred to the Committee on Post Office and Civil Service

APRIL 25, 1960

Reported with an amendment

Digest of CONGRESSIONAL PROCEEDINGS

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF
BUDGET AND FINANCE

(For Department
Staff Only)

Issued May 6, 1960
For actions of May 5, 1960
86th-2d, No. 82

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HIGHLIGHTS: House committee granted permission until midnight Friday, May 6, to file report on USDA appropriation bill. Both Houses agreed to conference report on Interior and related agencies appropriation bill, including Forest Service. House passed Defense Department appropriation bill for 1961.

HOUSE

1. MUTUAL SECURITY. Disagreed to the Senate amendments to H. R. 11510, the mutual security authorization bill; conferees were appointed (p. 8903). Senate conferees have been appointed.
2. DEFENSE DEPARTMENT APPROPRIATION BILL, 1960. Passed by a vote of 377 to 3, with amendment, this bill, H. R. 11998. pp. 8913-56
Following passage of the bill Rep. Kastenmeier commented on the bill and urged support for establishing a National Peace Agency. pp. 8957-8
3. AGRICULTURE DEPARTMENT APPROPRIATION BILL, 1961. Agreed to allow the Appropriations Committee until midnight, Fri., May 6, to file a report on this bill. p. 8957
4. EXHIBITIONS. Rep. Kasem urged support for his resolution to have the Secretary of State "enter into negotiations to bring the U. S. into the membership of the "Bureau International des Expositions." pp. 8959-62
5. INTEREST RATES. Rep. Burdick criticized the administration's stand on removing the interest restriction on long-term Government securities. pp. 8976-7

6. LEGISLATIVE PROGRAM. Rep. McCormack stated that the legislative program for next week would include the following: On Tues., May 10, the Department of Agriculture appropriation bill for 1961 would be considered, and following that the house would consider H. R. 10495, the highway construction authorization bill for fiscal 1962, and 1963. p. 8904

SENATE

7. INTERIOR AND RELATED AGENCIES APPROPRIATIONS, 1961. Both Houses agreed to the conference report on this bill H. R. 10401. This bill will now be sent to the President. pp. 8864-71, 8910-13
8. FARM CREDIT. The Agriculture and Forestry Committee reported with amendments S. 2977, to amend the Farm Credit Act of 1933 to provide for increased representation by regional banks for cooperatives on the Board of Directors of the Central Bank for Cooperatives (S. Rept. 1335). p. 8816
9. LANDS. The Agriculture and Forestry Committee reported without amendment H. R. 9818, to provide for the conveyance of certain real property of the United States to the State of Florida (S. Rept. 1336); And S. 3070, to provide for the removal of the restriction on use with respect to certain lands in Morton County, N. Dak., conveyed to the State of North Dakota on July 20, 1955 (S. Rept. 1337). p. 8816
10. EXPORT CONTROL. Passed without amendment H. R. 10550, to extend the Export Control Act of 1949 for 2 additional years. This bill will now be sent to the President. p. 8851
11. WHEAT. Passed over, as not appropriate calendar business, S. 2759, to strengthen the wheat marketing quota and price support program. p. 8853
12. CHICORY. Passed as reported H. R. 9398, to extend for 3 years the suspension of duty on imports of crude chicory and the reduction in duty on ground chicory. p. 8854
13. RETIREMENT. Passed as reported S. 2575, to provide a health benefits program for certain retired employees of the Government (pp. 8872-5). This bill had been passed over on calendar call earlier in the day (p. 8851).
Passed over and subsequently passed as reported H. R. 8241, to amend certain provisions of the Civil Service Retirement Act relating to the reemployment of former Members of Congress. pp. 8851, 8876-84
Passed over and subsequently passed as reported S. 2857, to amend the Civil Service Retirement Act so as to provide for refunds of contributions in the case of annuitants whose length of service exceeds the amount necessary to provide the maximum annuity allowable under such Act. p. 8852, 8884-90, 8891-2
14. CASEIN. Passed with amendments H. R. 9862, relating to duties on certain shoe lathes and containing an amendment to extend the suspension of the import duty on casein until June 30, 1963. pp. 8892-9
15. AREA REDEVELOPMENT. Sen. Johnson and others discussed S. 722, the area redevelopment bill, and Sen. Johnson moved to agree to the House amendment. It was agreed that on Fri., May 6, there will be 2 hours debate, equally divided, on the motion to agree to the House amendment. pp. 8811-2, 8875-6, 8889-900

the part of the United States Government".

The amendment was agreed to.

The amendment was ordered to be engrossed and the bill to be read a third time.

The bill was read the third time, and passed.

BILLS PASSED OVER

The bill (H.R. 9862) to continue for 2 years the existing suspension of duties on certain lathes used for shoe last roughing or for shoe last finishing was announced as next in order.

Mr. PROUTY. Over, by request.

The PRESIDING OFFICER. The bill will be passed over.

The bill (S. 2618) to authorize the exchange of certain war-built vessels for modern and efficient war-built vessels owned by the United States was announced as next in order.

Mr. PROUTY. Over, by request.

The PRESIDING OFFICER. The bill will be passed over.

The bill (S. 3387) to authorize appropriation for the Atomic Energy Commission in accordance with section 261 of the Atomic Energy Act of 1954, as amended, and for other purposes, was announced as next in order.

Mr. PROUTY. Over.

The PRESIDING OFFICER. The bill will be passed over.

The bill (H.R. 4049) to amend the Federal Aviation Act of 1958 in order to authorize free or reduced rate transportation for certain additional persons, was announced as next in order.

Mr. PROUTY. Over, by request.

The PRESIDING OFFICER. The bill will be passed over.

The bill (S. 3019) to provide for certain pilotage requirements in the navigation of U.S. waters of the Great Lakes, and for other purposes, was announced as next in order.

Mr. PROUTY. Over, by request.

The PRESIDING OFFICER. The bill will be passed over.

EXTENSION OF EXPORT CONTROL ACT OF 1949

The bill (H.R. 10550) to extend the Export Control Act of 1949 for 2 additional years was announced as next in order.

Mr. HART. Mr. President, I ask unanimous consent to have an explanation of the bill printed in the RECORD at this point.

There being no objection, the statement was ordered to be printed in the RECORD, as follows:

H.R. 10550, as its title shows, would extend the Export Control Act of 1949 for a period of 2 years from the present expiration date of June 30, 1960. This act, which is administered by the Secretary of Commerce by delegation from the President, authorizes the regulation of exports under standards based on national security, foreign policy, and domestic shortages.

The Department of Commerce recommended this 2-year extension of the Export Control Act last February. The State Department and the Defense Department have recommended it. All these recommendations

are printed in the committee's report. We have had elaborate quarterly reports from the Department of Commerce, of which the 50th, covering the 4th quarter of 1959, is the latest. The committee has had the benefit of the brief testimony before the House Banking and Currency Committee, but in view of the strong support for the bill and the complete absence of any opposition to the extension, or any recommendation for amendment to the act, we have held no hearings.

The committee's report is full. It describes the statute and the administration of the controls, and the measures taken to bring about enforcement and compliance of the act and regulations issued under it. The full text of the act is also printed in the report.

In the light of present world conditions, it is in the interest of this country to continue the authority to regulate exports.

The PRESIDING OFFICER. Is there objection to the present consideration of the bill?

There being no objection, the bill was considered, ordered to a third reading, read the third time, and passed.

RETIRED FEDERAL EMPLOYEES HEALTH BENEFITS ACT OF 1960—BILL PASSED OVER

The bill (S. 2575) to provide a health benefits program for certain retired employees of the Government, was announced as next in order.

Mr. LAUSCHE. Mr. President, I object.

Mr. HART. Mr. President, it is not an appropriate bill to be passed on the call of the calendar, in any event.

Mr. GRUENING. Mr. President, while this bill has been passed over, I hope it is without prejudice. I think it is a most desirable bill. It was sponsored by our late colleague, Senator Neuberger. I am one of the cosponsors. It is a bill designed to extend to some of our Federal retirees some of the benefits of health insurance which have been extended to other Federal employees, and I hope it will come up for favorable consideration in the near future.

Mr. HART. Mr. President, the junior Senator from Michigan shares exactly that feeling. However, there is involved an initial expenditure of some \$15 million. It is an important item of legislation. It is appropriate for passage, but other than on a calendar call.

The PRESIDING OFFICER. Objection is heard, and the bill will be passed over.

BILLS PASSED OVER

The bill (H.R. 8241) to amend certain provisions of the Civil Service Retirement Act relating to the reemployment of former Members of Congress, was announced as next in order.

Mr. PROUTY. Over, by request.

The PRESIDING OFFICER. The bill will be passed over.

The bill (H.R. 8289) to accelerate the commencing date of civil service retirement annuities, and for other purposes, was announced as next in order.

Mr. HART. Over, by request.

The PRESIDING OFFICER. The bill will be passed over.

The bill (H.R. 10474) to authorize the construction of modern naval vessels, was announced as next in order.

Mr. PROUTY. Over.

The PRESIDING OFFICER. The bill will be passed over.

QUALIFICATIONS OF CHIEF AND DEPUTY CHIEF OF THE BUREAU OF SHIPS

The bill (H.R. 9464) to remove the requirement that, of the Chief and Deputy Chief of the Bureau of Ships, one must be specifically qualified and experienced in naval engineering and the other must be specially qualified and experienced in naval architecture was considered, ordered to a third reading, read the third time, and passed.

EXTENSION OF LOAN OF NAVAL VESSEL TO THE GOVERNMENT OF THE REPUBLIC OF CHINA

The Senate proceeded to consider the bill (H.R. 9465) to authorize the extension of a loan of a naval vessel to the Government of the Republic of China, which had been reported from the Committee on Armed Services with an amendment, on page 2, after line 12, to insert a new section, as follows:

Sec. 5. Notwithstanding section 7307 of title 10, United States Code, or any other law, the President may, under conditions which he prescribes, lend one submarine to the Government of Canada for a period of not more than five years and may, in his discretion, extend such loan for an additional period of not more than five years. All expenses involved in the activation of this submarine including repairs, alterations, outfitting, and logistic support shall be paid by the Government of Canada. The authority of the President to transfer a submarine under this section terminates on December 31, 1961.

The amendment was agreed to.

The amendment was ordered to be engrossed and the bill to be read a third time.

The bill was read the third time, and passed.

The title was amended, so as to read: "An Act to authorize the loan of one submarine to Canada and the extension of a loan of a naval vessel to the Government of the Republic of China."

POSTHUMOUS AWARDS OF APPROPRIATE MEDALS TO CERTAIN CHAPLAINS

The bill (S. 2969) to authorize the award posthumously of appropriate medals to Chaplain George L. Fox, Chaplain Alexander D. Goode, Chaplain Clark V. Poling, and Chaplain John P. Washington was announced as next in order.

The PRESIDING OFFICER. Is there objection to the present consideration of the bill?

Mr. PROUTY. Mr. President, I ask unanimous consent to include in the RECORD, just prior to passage of the bill, a statement.

There being no objection, the statement was ordered to be printed in the RECORD, as follows:

STATEMENT BY SENATOR WINSTON L. PROUTY, REPUBLICAN, OF VERMONT, ON THE LATE REVEREND GEORGE L. FOX, OF GILMAN, VT., ONE OF THE FOUR CHAPLAINS WHO WENT DOWN WITH THE TROOPSHIP "DORCHESTER"

The story of the heroism of the four chaplains aboard the U.S. troopship *Dorchester* when it was sunk by an enemy torpedo on February 3, 1943, has now become a part of the lore of American heroism. It is briefly related in the report of S. 2969, which is now being considered.

I wish today to tell you a little something about one of those four chaplains. George Lansing Fox, late of Gilman, Vt., was a man who inspired confidence in other men.

"Mr. Fox will not disappoint you." So wrote the Reverend Arthur Wentworth Hewitt, of Northfield, Vt., to the Bureau of Chaplains of the War Department. How prophetic those words.

George Lansing Fox was born in Lewistown, Pa., on March 15, 1900. At the age of 17 he enlisted in the Army and served for 2 years during World War I in the Ambulance Corps. As a result of this service, he received the Silver Star, the Croix de Guerre, the Purple Heart with one palm, the Verdun Medal, and the Victory Medal with six battle stars.

His experiences in the First World War plus his deeply religious nature led him to the ministry in the Methodist Church. Even before he received his ordination, he served as a lay preacher in West Berkshire, Vt.

After receiving a BA from Illinois Wesleyan in 1931 and an STB from the School of Theology of Boston University in 1934, he returned to Vermont, where he held pastorates at various times in Waits River, Union Village, and, lastly, at Gilman and East Concord.

At the time of his enlistment as a chaplain in the Army, he left a 17-year-old son, Wyatt Ray, then in the Marine Corps, and a daughter, Mary Elizabeth, in addition to his wife, Isadora. They are still residents of Vermont.

This last Veterans' Day, May 30, the Vermont Historic Sites Commission, assisted by veterans' organizations, dedicated a marker in Gilman, Vt., for the Reverend George Lansing Fox.

When George Fox was notified that he had been accepted as a chaplain, he wrote to Bishop Leonard, of the Washington area: "I am happy to have been chosen for this privilege and shall do my utmost to represent the Master and our church."

The award, posthumously, of the appropriate medal recommended by the report of the Armed Services Committee will not add to the record of his performance in the fulfillment of that promise, but it will confirm it.

The PRESIDING OFFICER. Is there objection to the present consideration of the bill?

There being no objection, the bill was considered, ordered to be engrossed for a third reading, read the third time, and passed, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the President is authorized to award posthumously appropriate medals and certificates to Chaplain George L. Fox of Cambridge, Vermont; Chaplain Alexander D. Goode of Washington, District of Columbia; Chaplain Clark V. Poling of Schenectady, New York; and Chaplain John P. Washington of Arlington, New Jersey, in recognition of the extraordinary heroism displayed by them when they sacrificed their lives in the sinking of the troop transport *Dorchester* in the North Atlantic in 1943 by giving up their life preservers to other men aboard such transport.

SEC. 2. The medals and certificates authorized by this Act shall be in such form and of such design as shall be prescribed by the President, and shall be awarded to such representatives of the aforementioned chaplains as the President may designate.

SEC. 3. There are authorized to be appropriated such sums as may be necessary to carry out the provisions of this Act.

CONVEYANCE OF CERTAIN REAL PROPERTY TO ORANGE COUNTY, CALIF.

The bill (H.R. 5349) to provide for the conveyance to Orange County, Calif., of all right, title, and interest in and to certain real property situated in Orange County, Calif., was considered, ordered to a third reading, read the third time, and passed.

Mr. MORSE had previously said: "Mr. President, I ask unanimous consent that when we reach Calendar No. 1334, H.R. 5349, there may be inserted in the RECORD at that point a statement explaining that the bill does not violate the Morse formula."

There being no objection, the statement was ordered to be printed in the RECORD, as follows:

STATEMENT BY SENATOR MORSE

H.R. 5349 would authorize and direct the Administrator of General Services to convey to Orange County, Calif., all right, title, and interest of the United States to certain property, including improvements thereon, located in Costa Mesa.

The land in question was conveyed to Orange County in 1936 by the American Legion Post of Costa Mesa for the purpose of constructing a community hall and a county courthouse. A few months later the county sought and obtained the assistance of the WPA for the construction of the community hall.

The proposal of the county to WPA provided that (1) it would finance the cost of the project not covered by Federal funds, and (2) it would not sell, lease, donate, or otherwise dispose of the improvements to a private individual, corporation, or quasi-public organization. On the basis of this arrangement, the WPA in 1937 and 1938 expended the sum of \$16,067.88 and the county \$5,362.48 in the construction of the community hall and recreation building. On December, 1938, a few months after the building was constructed, the county, by quitclaim deed, conveyed the property back to the American Legion post.

In 1941, the Federal Works Agency requested that the county either acquire title to the property and operate the facility for the general public without discrimination or preferable consideration or, in the alternative, make restitution of the \$16,067.88 spent by the Federal Government to build the community hall.

In October 1942, the American Legion post reconveyed the property to Orange County. In 1944, Orange County and the American Legion post entered into an agreement under which the post managed the community hall building for the county. According to the letter contained in the report from the Department of Justice, the county has operated the facility for the general public.

The interest of the United States in this matter arises from the expenditure of Federal funds, and the provisions of the county proposed on the use of the property. The Federal Government would be released of its interest through the enactment of the bill.

Senate Report No. 130; contains a reference to the case of *United States v. City of*

Columbus (54 Fed. Supp. 37), which comments upon the legal effect of language such as that contained in the proposal of the county to the WPA. On this subject the Senate Report, at page 4, contains a quotation from the letter of the General Services Administration which reads as follows:

"In the case of the *United States v. the City of Columbus*, the United States sought to recover from the city of Columbus, N. Dak., the amount expended by it for the cost of materials used and the labor performed in the construction of a community recreation building as a WPA project, leased by the city as a liquor store, allegedly in contravention of the city's agreement to use the facility as a community recreation center. The court on motions for judgment on the pleadings, states in pertinent part as follows:

"But once a project which in its application meets the specifications required by law, and receives approval, and is constructed under the supervision and control of WPA officials, is completed and turned over to the municipality, it is turned over without being impressed with an easement or right or restriction controlled by the United States, and may be used thereafter by the municipality in any manner which the laws governing that municipality allow. A contrary conclusion would, in my opinion, result in entanglements of such infinite complication as to be impossible of administration, judicial or otherwise, and was never within the contemplation of Congress."

I am advised that the case of the *United States v. the City of Columbus* has not been reversed or overruled. That being the case the decision is controlling and no objection of the bill exists under the Morse formula.

BILL PASSED OVER

The bill (S. 2857) to amend the Civil Service Retirement Act so as to provide for refunds of contributions in the case of annuitants whose length of service exceeds the amount necessary to provide the maximum annuity allowable under such act, was announced as next in order.

Mr. PROUTY. Over, by request.

The PRESIDING OFFICER. The bill will be passed over.

ELIMINATION OF PRORATION OF OCCUPATIONAL TAX IN CERTAIN CASES

The Senate proceeded to consider the bill (H.R. 4029) to amend the Internal Revenue Code of 1954 to eliminate the proration of the occupational tax on persons dealing in machine guns and certain other firearms, and for other purposes, which had been reported from the Committee on Finance with an amendment, on page 5, line 2, after "June 30," to strike out "1959" and insert "1960".

The amendment was agreed to.

The amendment was ordered to be engrossed and the bill to be read a third time.

The bill was read the third time, and passed.

PROCLAMATION IN CONNECTION WITH THE CENTENNIAL OF BIRTH OF GENERAL OF THE ARMIES JOHN J. PERSHING

The Senate proceeded to consider the joint resolution (H.J. Res. 640) to authorize and request the President to is-

by a State in cooperation with the Federal Geological Survey. Indeed, the funds required for this program in the first year alone (\$600,000 total) will nearly equal the size of all other cooperative State-U.S. Geological Survey geologic mapping programs combined. Kentucky has already approved its share of funds to start this important program, and I understand the Department of the Interior will shortly request supplemental funds with which to match this State offering.

The proposed cooperative geologic mapping program is a logical sequel to the highly successful cooperative topographic mapping program which the State of Kentucky and the Geological Survey carried out from 1950 to 1956 at a cost of \$7 million.

This program involved the preparation of a series of topographic maps covering the entire State. It was the largest program of its kind undertaken in any State up to that time, and was carried out on schedule and most efficiently. State officials have reported that use of the resulting maps in such fields as highway location and industrial and agricultural development has already benefited the State by an amount greater than the total cost of the program. These benefits will continue to accrue as time goes on, and it is anticipated that the geologic maps that are now to be made will be equally valuable in the future development of the State.

The PRESIDING OFFICER. The question is on agreeing to the conference report.

The report was agreed to.

UNLIMITED DEDUCTIONS FOR CHARITABLE CONTRIBUTIONS

Mr. JOHNSON of Texas. Mr. President, I move that the Senate proceed to the consideration of Calendar No. 1368, House bill 6779.

The PRESIDING OFFICER. The bill will be stated by title for the information of the Senate.

The LEGISLATIVE CLERK. A bill (H.R. 6779) to amend section 170 of the Internal Revenue Code of 1954 (relating to the unlimited deduction for charitable contributions for certain individuals).

The PRESIDING OFFICER. The question is on agreeing to the motion of the Senator from Texas.

The motion was agreed to; and the Senate proceeded to consider the bill, which had been reported from the Committee on Finance, with amendments, on page 1, line 7, after the word "following", to strike out "For purposes of this subparagraph, if the sum of the charitable contributions and the income taxes paid during the taxable years in any period of two consecutive taxable years within such ten preceding taxable years exceeds 90 percent of the sum of the taxpayer's taxable incomes for such two consecutive taxable years, and if the sum of the charitable contributions and the income tax so paid during each such consecutive taxable year exceeds 75 percent of the taxpayer's taxable income for such year, the 90 percent test shall be considered satisfied with respect to both such consecutive taxable years; but no taxable year shall be included in more than one period of two consecutive taxable years." and, in lieu thereof, to insert "For purposes of this subparagraph, in the case of taxable years ending before January 1, 1961, within such ten preced-

ing taxable years, if the sum of the charitable contributions and the income taxes paid during the taxable years in any period of two consecutive taxable years exceeds 90 percent of the sum of the taxpayer's taxable incomes (as so computed) for such two consecutive taxable years, and if the sum of the charitable contributions and the income tax so paid during each such consecutive taxable year exceeds 75 percent of the taxpayer's taxable income (as so computed) for such year, the 90 percent test shall be considered satisfied with respect to both such consecutive taxable years; but no taxable year shall be included in more than one period of two consecutive taxable years and not more than two periods of two consecutive taxable years within such ten preceding taxable years shall be taken into account.", and on page 3, line 9, after "January 1", to strike out "1959" and insert "1960".

The amendments were agreed to.

The amendments were ordered to be engrossed and the bill to be read a third time.

The bill was read the third time and passed.

Mr. JOHNSON of Texas. Mr. President, I move to reconsider the vote by which the bill was passed.

Mr. FREAR. Mr. President, I move to lay that motion on the table.

The motion to reconsider was laid on the table.

Mr. JOHNSON of Texas. Mr. President, I ask unanimous consent to have printed in the RECORD at this point an excerpt from the committee report.

There being no objection, the excerpt was ordered to be printed in the RECORD, as follows:

GENERAL STATEMENT

Under present law, the charitable contribution deduction of an individual generally is limited to 20 percent of the taxpayer's adjusted gross income, although in the case of contributions to churches, schools and colleges, and hospitals the limitation is 30 percent instead of 20 percent. However, in addition to this, a deduction for charitable contributions without limitation also is allowed where certain conditions are met.

Before an individual is eligible for the unlimited charitable contribution, however, he must establish that he has for an extended period of time given the bulk of his income to charity or to the Government in the form of taxes. More specifically, to be eligible for the unlimited charitable deduction he must in the current year and in 8 out of 10 preceding years have given 90 percent of his taxable income to charity or to the Federal Government in the form of income taxes. (For this purpose, taxable income is relatively large, since it is computed without regard to charitable contributions, personal exemptions, or any net operating loss carryback to the year in question.)

In the Technical Changes Act of 1958 Congress recognized the restrictive nature of the present rules and provided an exception to the general rules set forth above. It provided that in determining whether the 90-percent test was made income taxes could be attributed to the year in which they were incurred rather than the year in which they were paid. With respect to that change, one of the committee reports indicated it was made because it was believed unfortunate to deny the benefits of the unlimited charitable contribution deductions merely on the grounds of the timing of the income-tax payments.

This bill also is concerned with the question of timing, but in this case it is the timing of the charitable contributions. Cases have appeared where the taxpayers did not qualify for the unlimited charitable contribution deductions because of year-to-year fluctuations in the charitable contributions, even though in 8 out of the last 10 years more than three-quarters of their income went to charity or for taxes, and even though the 90-percent test would have been met if it were computed on the basis of the average charitable contributions and taxes paid in 2-year periods.

The House bill provided that the 90-percent test was to be considered as met for any 2 consecutive years in the 10-year period preceding the taxable year if the total of the charitable contributions and taxes for the 2-year period met the 90-percent test. However, in each of the 2 years the charitable contributions and taxes had to represent 75 percent of the taxable income (before charitable contributions, personal exemptions, or net operating loss carryback) and no 1 year could be included in more than one 2-year period.

COMMITTEE AMENDMENT

Your committee has amended the House bill in four respects. First, no more than two periods of 2 consecutive years may be taken into account in determining whether the 90-percent test has been satisfied in 8 out of 10 prior years.

Second, the period to which the bill applies and within which the averaging device may be employed is limited to the 10-year period ending before January 1, 1961. Thus, under your committee's bill this averaging device will not become a permanent feature of the tax law. It will, however, make it less difficult for taxpayers to qualify for the unlimited charitable-contribution deduction in the current and future years by averaging income and contributions and taxes in years prior to January 1, 1961. Neither the House bill nor your committee's bill have changed the requirement of present law that contributions and taxes must exceed 90 percent of the taxpayer's income (properly adjusted) in the current year before he may take the unlimited deduction. The bill only goes to the question of whether the taxpayer has established a pattern of giving 90 percent or more of his income to charity or to the Government in the form of taxes in 8 out of 10 years. Although the bill applies to taxable years beginning after December 31, 1956, a taxpayer will be permitted to average two periods of 2 consecutive years whether such 2-year period occurred prior to or after December 31, 1956, so long as those years come within the 10-year period ending before January 1, 1961.

Third, a clerical amendment has been made to the bill to make it absolutely clear that the term "taxable income" as used in this provision means taxable income computed without regard to personal exemptions, charitable contributions, and net operating loss carrybacks.

Fourth, because of the passage of time since the bill was acted upon by the House, the effective-date provision has been amended so that while the bill continues to apply to taxable years beginning after December 31, 1956, no credit or refunds are to be paid as a result of this bill for any years beginning before January 1, 1960.

EXCHANGE OF CERTAIN WAR-BUILT VESSELS

Mr. JOHNSON of Texas. Mr. President, I move that the Senate proceed to the consideration of Calendar No. 1308, Senate bill 2618.

The PRESIDING OFFICER. The bill will be stated by title for the information of the Senate.

The LEGISLATIVE CLERK. A bill (S. 2618) to authorize the exchange of certain war-built vessels for modern and efficient war-built vessels owned by the United States.

The PRESIDING OFFICER. The question is on agreeing to the motion of the Senator from Texas.

The motion was agreed to; and the Senate proceeded to consider the bill, which had been reported from the Committee on Interstate and Foreign Commerce, with amendments, on page 2, line 1, after the word "acquire", to insert "at any time within 5 years from the date of enactment of this act"; in line 10, after the word "years", to insert "immediately"; in line 20, after the word "service", to insert "The Secretary of Commerce shall consult with and obtain the approval of the Defense Department before any vessel of a military type is traded out under the provisions of this subsection."; in line 25, after the word "vessel", to insert "or vessels"; on page 3, line 1, after the word "exchange", to insert "No payments shall be made by the United States to the owner of a traded-in vessel in connection with any exchange under this subsection."; in line 7, after the word "requisition", to insert "or otherwise"; in line 8, after the word "vessel", to insert "at any time within 20 years of the date of construction thereof"; on page 4, after line 6, to strike out:

(6) Subsection (c) of this section shall not apply to the exchange of vessels under this subsection.

After line 8, to insert:

(6) Neither subsection (e) of this section, nor the nontaxable exchange provisions of the Internal Revenue Code, shall apply to the exchange of vessels under this subsection.

After line 15, to insert:

(8) The owner of the traded-in vessel, at his own expense and in a manner satisfactory to the Secretary of Commerce, shall (A) effect deactivation and preparation of the traded-in vessel and its equipment for storage or layup; (B) make delivery of such vessel and its equipment at a location designated by the Secretary of Commerce; and (C) execute a bond, with one or more approved sureties, conditioned upon indemnifying the United States from all loss resulting from any lien against such vessel existing at the time of the exchange.

And, on page 5, after line 2, to insert:

(9) No tanker vessel shall be traded out under the provisions of this subsection.

So to make the bill read:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 510 of the Merchant Marine Act, 1936, is amended by adding a new subsection as follows:

"(i) In order to improve the type and suitability of vessels operating in the domestic and foreign commerce of the United States, and to further the policies of this Act, the Secretary of Commerce is authorized (subject to the provisions of this subsection) to acquire at any time within five years from the date of enactment of this Act war-built vessels (as defined in section 3(b) of the Merchant Ship Sales Act of 1946) in exchange for more modern or efficient war-built vessels owned by the

United States. Such exchanges shall be subject to the following conditions:

"(1) The traded-in vessels shall have been owned and operated without subsidy under title VI of this Act by a citizen or citizens of the United States, and documented under the laws of the United States, for at least three years immediately prior to the date of the exchange.

"(2) The fair and reasonable value of the traded-in and traded-out vessels shall be determined, as of the date of the exchange, pursuant to subsection (d) of this section.

"(3) In determining said fair and reasonable value the Secretary shall consider the cost of placing the vessels in class with respect to hull and machinery, and, with respect to any traded-out vessels of the military type, the cost of reconverting and restoring such vessels for normal operation in commercial service. The Secretary of Commerce shall consult with and obtain the approval of the Defense Department before any vessel of a military type is traded out under the provisions of this subsection.

"(4) The value of the traded-out vessel which is in excess of the value of the traded-in vessel or vessels shall be paid in cash at the time of the exchange. No payments shall be made by the United States to the owner of a traded-in vessel in connection with any exchange under this subsection.

"(5) A contract shall be entered into under this subsection by any person acquiring a traded-out vessel, which shall provide (A) that in the event the United States shall, through purchase or requisition or otherwise, reacquire ownership of said vessel, at any time within twenty years of the date of construction thereof, the owner shall be paid therefor the value thereof, but in no event shall such payment exceed the fair and reasonable exchange value determined under this subsection (together with the actual cost of capital improvements thereon) depreciated to the date of such purchase or acquisition, or the fair and reasonable scrap value of such vessel as determined by the Secretary of Commerce, whichever is the greater; (B) that such determination shall be final; (C) that in computing the depreciated exchange value of such vessel, the depreciation shall be computed on the vessel on the schedule adopted or accepted by the Secretary of the Treasury for Federal income tax purposes as applicable to such vessel; (D) that such vessel shall remain documented under the laws of the United States for a period of at least five years after the date of the exchange, or twenty years from the date of its construction, whichever is the later date; and (E) that the foregoing conditions respecting requisition or acquisition of ownership by the United States and documentation shall run with the title to such vessel and be binding on all owners thereof. Any other conditions respecting purchase or requisition by the United States heretofore applicable by statute to any traded-out vessel are hereby made inapplicable to such vessel.

"(6) Neither subsection (e) of this section, nor the nontaxable exchange provisions of the Internal Revenue Code, shall apply to the exchange of vessels under this subsection.

"(7) Any repairs or reconversion necessary at the time of the exchange to place the traded-out vessel in class and prepare it for commercial operation shall be performed in a shipyard within the continental United States.

"(8) The owner of the traded-in vessel, at his own expense and in a manner satisfactory to the Secretary of Commerce, shall (A) effect deactivation and preparation of the traded-in vessel and its equipment for storage or layup; (B) make delivery of such vessel and its equipment at a location designated by the Secretary of Commerce; and

(C) execute a bond, with one or more approved sureties, conditioned upon indemnifying the United States from all loss resulting from any lien against such vessel existing at the time of the exchange.

"(9) No tanker vessel shall be traded out under the provisions of this subsection."

The amendments were agreed to.

The bill was ordered to be engrossed for a third reading, read the third time, and passed.

Mr. JOHNSON of Texas. Mr. President, I move that the vote by which the bill was passed be reconsidered.

Mr. FREAR. Mr. President, I move to lay that motion on the table.

The motion to reconsider was laid on the table.

RETIRED FEDERAL EMPLOYEES HEALTH BENEFITS ACT OF 1960

Mr. JOHNSON of Texas. Mr. President, I move that the Senate proceed to the consideration of Calendar No. 1321, Senate bill 2575.

The PRESIDING OFFICER. The bill will be stated by title for the information of the Senate.

The LEGISLATIVE CLERK. A bill (S. 2575) to provide a health benefits program for certain retired employees of the Government.

The PRESIDING OFFICER. The question is on agreeing to the motion of the Senator from Texas.

The motion was agreed to; and the Senate proceeded to consider the bill, which had been reported from the Committee on Banking and Currency, with an amendment, to strike out all after the enacting clause and insert:

That this Act may be cited as the "Retired Federal Employees Health Benefits Act of 1960."

DEFINITIONS

SEC. 2. As used in this Act—

(a) The terms "employee", "member of family", "dependent husband", "health benefits plan", "carrier", "employee organization", and "Commission" have the same meanings as in the Federal Employees Health Benefits Act of 1959.

(b) "Retired employee" means an employee or member of a family who would be an annuitant under the Federal Employees Health Benefits Act of 1959 had he not become an annuitant prior to the effective date of that Act.

ESTABLISHMENT OF HEALTH BENEFITS PROGRAM

SEC. 3. The Commission is authorized and directed to establish a health benefits program for retired employees and members of their families who are not eligible for coverage under the Federal Employees Health Benefits Act of 1959. Such program shall permit retired employees enrolled, on the effective date of this Act, in any health benefits plan of a carrier approved under the Federal Employees Health Benefits Act of 1959, or of a carrier otherwise approved by the Commission, to continue such enrollment under the provisions of this Act. The Commission may withdraw from participation in the plan of any carrier when in its judgment the number of retired employees and members of their families enrolled in such plan is not large enough to warrant the administrative cost of continuance, but in any such case the retired employees and members of their families covered by such plan shall be given full opportunity for transfer to another approved plan.

ENROLLMENT

SEC. 4. The program authorized by this Act shall not be applicable to any retired employee or member of his family unless such retired employee elects, within ninety days after October 1, 1960, to be covered by such program, and consents to the deduction from his annuity or other benefit payments of such amounts as are prescribed pursuant to section 5 as his contributions to the cost of such program.

CONTRIBUTIONS

SEC. 5. (a) (1) Except as provided in paragraph (2), if a retired employee enrolls in an approved health benefits plan, the Government shall contribute toward his subscription charge such amounts as the Commission by regulation may from time to time prescribe. The amounts so prescribed shall not be less than the minimums or more than the maximums in the following schedule:

	Monthly minimum	Monthly maximum
If retired employee is enrolled for—		
Self only.....	\$2.70	\$3.80
Self and spouse.....	5.40	7.60
Self and spouse who is a non-dependent husband.....	2.70	3.80
Self and family.....	6.50	9.20
Self and family which includes a nondependent husband.....	3.80	5.40

(2) If the total monthly subscription charge is less than \$5.40 for a retired employee enrolled for self alone, \$10.80 for a retired employee enrolled for self and spouse, or \$13.00 for a retired employee enrolled for self and family, the contribution of the Government shall be 50 per centum of such subscription charge, except that if a female retired employee enrolls for self and a nondependent husband, the Government's contribution shall be 25 per centum of such subscription charge or if a female retired employee enrolls for self and family which includes a nondependent husband the Government's contribution shall be 30 per centum of such subscription charge.

(b) There shall be withheld from the annuity or compensation of each enrolled retired employee so much as is necessary, after deducting the contribution of the Government, to pay the total charge for his enrollment.

(c) The amounts authorized by subsection (a) to be contributed by the Government shall be paid from annual appropriations which are hereby authorized to be made for such purpose.

RETIRED EMPLOYEES' HEALTH BENEFITS FUND

SEC. 6. (a) The contributions of retired employees and the Government shall be deposited in the Retired Employees' Health Benefits Fund, hereinafter referred to as the "Fund", which is hereby created and which shall be administered by the Commission.

(b) The Fund shall be available without fiscal year limitation for all payments on account of health benefits plans and for payment of expenses incurred by the Commission in administering this Act, but not to exceed 2 per centum of the Government contribution.

(c) Any contributions remaining in the Fund after the payments described in subsection (b) have been made and any dividends or other refunds made by a carrier shall be set aside in the Fund as a contingency reserve for that carrier. Such contingency reserve may be used to defray increases in future rates of or to reduce the retired employees' and the Government's contributions, or to increase the health benefits provided, as the Commission may from time to time determine.

(d) The Secretary of the Treasury is authorized to invest and reinvest any of the moneys in the Fund in interest-bearing obligations of the United States for the purpose of the Fund. The interest on and the proceeds from the sale of any such obligations shall become a part of the Fund.

ADMINISTRATION

SEC. 7. (a) The Commission shall administer this Act, negotiate contracts for the plans provided in section 3 without regard to section 3709 of the Revised Statutes, as amended (41 U.S.C. 5), and prescribe such regulations as are necessary to give full effect to the purposes of this Act. Such regulations may include, but are not limited to, the following:

- (1) Minimum standards to be met by a carrier;
- (2) Exclusions of retired employees from coverage;
- (3) Beginning and ending dates of coverage;
- (4) Temporary extension of coverage;
- (5) Changes in enrollment;
- (6) Questions of dependency;
- (7) Certificates and other information to be furnished retired employees;
- (8) Contributions during periods of suspension of annuity payments and in other extraordinary situations; and
- (9) Adjustment of contributions to nearest ten cents.

(b) The Commission may request carriers to furnish such reasonable reports as the Commission determines to be necessary to enable it to carry out its functions under this Act. The carriers shall furnish such reports when requested and permit the Commission and representatives of the General Accounting Office to examine such records of the carriers as may be necessary to carry out the purposes of this Act.

(c) Each agency of the United States or the District of Columbia which administers a retirement system for annuitants shall keep such records, make such certifications, and furnish the Commission with such information and reports as may be necessary to enable the Commission to carry out its functions under this Act.

(d) There are hereby authorized to be expended from Employees' Life Insurance Fund, without regard to limitations on expenditures from that Fund, for fiscal years 1960, 1961, and 1962, such sums as may be necessary to pay administrative expenses incurred by the Commission in carrying out the health benefits provisions of this Act. Reimbursements to the Employees' Life Insurance Fund for sums so expended, together with interest at a rate to be determined by the Secretary of the Treasury, shall be made from the Retired Employees' Health Benefits Fund which is hereby made available for this purpose.

SEC. 8. The Commission shall transmit to the Congress annually a report concerning the operation of this Act.

EFFECTIVE DATE

SEC. 9. The health benefits program provided for by section 3 of this Act shall take effect January 1, 1961. The contributions provided for by section 5 of this Act shall take effect on December 1, 1960, with respect to annuity or compensation accruing for periods beginning on and after that date.

Mr. YARBOROUGH. Mr. President, I desire to thank the distinguished majority leader for his diligence in bringing the bill up for consideration.

The bill before the Senate today stands in the nature of a monument to the fine work of the late Senator Neuberger. It was through his efforts that a bill was enacted last year for present Federal employees. The bill now under consideration was introduced by him

and cosponsored by a number of other Senators, including Members not on the Post, Office and Civil Service Committee, as well as committee members.

Retired employees should be grateful to the Senator from North Carolina [Mr. JORDAN] who, as chairman of the subcommittee appointed to replace the late Senator Neuberger, picked up where Senator Neuberger left off and carried the present bill through the subcommittee and the full committee, and reported it to the Senate.

At all times the chairman of the full committee, the Senator from South Carolina [Mr. JOHNSTON], aided the subcommittee and aided Senator Neuberger during his lifetime, and then the Senator from North Carolina. I was happy to be associated with the Senator from North Carolina, as well as other Senators, in this work, and to be a member of the subcommittee under the chairmanship of the Senator from North Carolina, who cosponsored the bill with Senator Neuberger and other Senators.

Every member of the subcommittee worked long and hard in behalf of our retired employees, so that they, too, might have the benefit of a health program designed to fit their needs.

The bill is designed to give persons retired prior to the effective date of the Health Benefits Act of 1959 a somewhat similar program on a somewhat comparable basis as will be enjoyed by employees who retire in the future.

While the Health Act of 1959 was passed last year, persons retiring this date would not be eligible under that act, because it does not become effective until July 1, 1960.

The conditions of eligibility are the same; that is, the former employee must have retired on an immediate annuity with 12 or more years of service or due to disability. The contribution of the Government will approximate 50 percent of the cost of the program under the same conditions as approved last year with respect to current employees and future retirees. The Civil Service Commission has estimated that the first year cost to the Government will be from \$15 million to \$20 million, and will decrease each year as the number of persons already retired diminishes.

The bill authorizes the Civil Service Commission to establish such a program to become effective January 1, 1961.

Retirees currently enrolled in a health benefits plan of a carrier approved under the 1959 act are authorized to continue such enrollment except that when the enrollment in any such plan becomes so small as to be uneconomical approval may be withdrawn by the Civil Service Commission, provided the remaining retirees are given an opportunity to transfer enrollment to another plan. That is to prevent so many different companies and that the administrative costs would become topheavy.

The retirees' contribution to the cost of the program will be withheld from his monthly retirement check by the Civil Service Commission. The Government's contribution will be by annual appropriation to the fund.

Mr. LAUSCHE. Mr. President, will the Senator yield?

Mr. YARBOROUGH. I yield to the distinguished Senator from Ohio.

Mr. LAUSCHE. Will the Senator from Texas explain how the person who is retired from work makes his contribution to the fund, in order to qualify for these increased benefits? He is retired. The moment he participates, he becomes the beneficiary in the same manner as those who retired after the 1959 law went into effect. Is not that true?

Mr. YARBOROUGH. It is not quite as generous as that. Those who have already retired will not participate quite as fully, because, as a group, they are older, and the actuarial plans do not apply as favorably to the elder group as they do to present employees. So, while their scale of payments will be comfortable, there are some slight differences in benefits.

Mr. LAUSCHE. Is that because the expectancy of life is shorter?

Mr. YARBOROUGH. The life expectancy of this group is shorter; yes.

Mr. LAUSCHE. How do they contribute to the fund so as to actuarially support this increased burden that falls upon them?

Mr. YARBOROUGH. The amount is withheld from their checks. They get a retirement check each month from the Government. Their payment will be withheld from their checks, just as with employed employees the premium is withheld from their salary checks.

Mr. LAUSCHE. How long after a retired employee enrolls in the system does the Government continue to deduct from his benefit check the amount of the premium?

Mr. YARBOROUGH. So long as he stays in the program. It is not mandatory. The retired employees are not required to join. The same is true with respect to salaried employees; they do not have to join the present plan. Some will not join. We know that that is the fact, because they have indicated they will not join. It is a voluntary plan. It is not a compulsory plan so far as the retired employees are concerned. They may join, or not. If a retired employee does not join, no deduction will be made from his check.

Mr. LAUSCHE. Has the committee determined that by qualifying these retired employees will still keep the fund actuarially sound?

Mr. YARBOROUGH. This is a separate plan from the present plan. That is why we are enacting a separate law. Last year the retired employees were very greatly disappointed that they were not included in the Health Act of 1959. They felt that they were discriminated against. That is particularly true with reference to employees who are going to retire before July 1, 1960. They felt they could have been working while the law was being enacted and after it was signed by the President. We had to give the Civil Service Commission time to actuarially work out a sound plan. They said, "We need until July 1, 1960." The present plan will not become effective until July 1, 1960. The employees who retire after July 1, 1960, will not be covered by the 1959 Health Act.

This plan was set up separately for these retired employees. It will not become effective until January 1, 1961, particularly because the Federal Civil Service Commission has said that they need time to work it out. So there will be a hiatus of 6 months when there will be no coverage for these retired employees.

Mr. LAUSCHE. This is a separate fund, then.

Mr. YARBOROUGH. Yes. The Health Act of 1959 is a separate fund also.

They are separate funds. The Government puts in so much and the employees put in so much. These are separate funds. The one that will go into effect in July is the Health Act of 1959. Neither under the 1959 act nor under the proposed act will it be possible to dip into the reserve fund. These are separate funds, actuarially sound.

Mr. LAUSCHE. With reference to health and hospitalization, will the Senator describe what is covered by those two terms?

Mr. YARBOROUGH. The Civil Service Commission is given discretion to buy the best policy they can get. It is not described exactly what benefits the retired employees will get. Of course, certain limitations are set forth. The Federal Government will put in a certain amount for a single person, a certain amount for a man if he is married, and a certain amount for a husband with a nondependent spouse, for example. This limits what it will cost the Federal Government per person. We put on the Civil Service Commission the burden of going out and buying the cheapest policy they can get with the most benefits and the best benefits for the employees. We know from the Post Office and Civil Service Committee, from the number of witnesses who have presented testimony, that the insurance companies are bidding for the business. They can bid lower prices and present cheaper plans than if a person went out on the open market looking for such a plan.

Mr. LAUSCHE. These premiums make available to them service by way of hospitalization and medical care. Is that correct?

Mr. YARBOROUGH. Yes; hospitalization and medical care.

Mr. LAUSCHE. I should like to ask this question. Based upon this separate fund for the retired employees, has the actuarial study indicated that the contributions made by the insured and the Government will be adequate to support it?

Mr. YARBOROUGH. It works the other way. They have said this: "We will take this much money and we will buy this much protection"; instead of saying, "We are going to buy so much protection, so you get the money." They will take whatever money they have and get the best they can. There is another type of policy for employees, which is called minimal participation. In other words, the more an employee pays in the better the coverage he gets. That applies to the present coverage, of course.

With the retired employee it was not felt that it was possible to get that much. It was felt that it was not possible to

get that better type of policy for the older people. What the people in this actuarial group could buy was more limited, because as these people in this group get older their percentage of illnesses increases. So the plan under discussion fixes limits as to how much money it will cost, and then puts on the Civil Service Commission the burden of going out and getting the best protection possible for these people.

As we know, many health policies provide an age limit of 65 or 70, and those policies are not renewable after that age. In other words, a person may carry it for practically all his life, and then all at once the company will say to him, "You are over the age limit. We will not carry you any longer."

In other cases when a person gets sick, he suddenly discovers the fine print in the policy which states that the policy is cancelable at the option of the company. That will not be true in connection with these policies. The subscriber will pay his money and the Government will pay its money, and the subscriber will be covered. That policy cannot be canceled.

Mr. LAUSCHE. I wish to join with the Senator from Texas in condemning those companies that issue those policies. I do not approve of the cancellation of a policy at the option of the insurance company. The companies will collect the premiums from a person, and as soon as he becomes ill, the company will cancel. Many of those policies have that clause in it which gives the company the right to cancel the policy under those conditions.

Mr. YARBOROUGH. Yes. As a result, the person has no protection.

Mr. LAUSCHE. I should like to ask a question with respect to the types of relatives that may be covered by the proposed act. Are they greater in scope than those included in the act covering presently nonretired employees?

Mr. YARBOROUGH. No; this is not broadened.

Mr. LAUSCHE. Is that correct?

Mr. YARBOROUGH. That is correct.

Mr. LAUSCHE. Then it does not broaden at all the present limitations with respect to who may be covered. Is that correct?

Mr. YARBOROUGH. No; it does not broaden that at all.

Mr. LAUSCHE. Has there been any serious discussion in committee concerning the wisdom of allowing this broad scope of relatives who may be covered, and for which the Government has to pay the premium?

Mr. YARBOROUGH. It is not a broad scope. It is limited to children under 21 years of age.

Mr. LAUSCHE. There is something said about nondependent spouses.

Mr. YARBOROUGH. That is with relation to nondependent spouses; yes. A nondependent spouse cannot come under the plan. If a person working for the Government has a spouse who does not work, she could be covered. However, if the spouse earns a full salary, she is not covered by her husband's insurance. She would have to buy her own insurance.

Mr. LAUSCHE. I observe from the report that there are 315,000 retired couples whose annuities average \$175 a month, and that there are about 100,000 widows whose annuities average \$55 a month, who would qualify for enrollment.

Mr. YARBOROUGH. They would be eligible if they subscribed.

Mr. LAUSCHE. The Senator from Texas has stated that this plan would entail a cost of about \$18 million a year.

Mr. YARBOROUGH. From \$15 million to \$20 million is the estimate that we have obtained.

Mr. LAUSCHE. As I understand, each year the amount will become lower, because the number of participants will grow smaller.

Mr. YARBOROUGH. Yes.

Mr. LAUSCHE. It will cost \$18 million a year the first year.

Mr. YARBOROUGH. I do not say it will be \$18 million. The estimate is between \$15 million and \$20 million. It will be in that range.

Mr. LAUSCHE. Is my understanding correct that whatever the cost is, the cost will be borne equally by the Government and the retired employees?

Mr. YARBOROUGH. It figures out substantially that way. I believe the figures show that the Government employee will pay 55 percent and the Government 45 percent. It will not be exactly equal. The theory of the law is equal, but when the annuity tables were drawn up, it did not figure out that way. The employees will have to pay 55 percent.

Mr. LAUSCHE. I thank the Senator from Texas.

Mr. YARBOROUGH. I believe that completes the explanation.

The PRESIDING OFFICER. The question is on agreeing to the committee amendment in the nature of a substitute for the bill.

The amendment in the nature of a substitute was agreed to.

The PRESIDING OFFICER. The question is on the engrossment of the amendment and the third reading of the bill.

The amendment was ordered to be engrossed and the bill to be read a third time.

The bill was read the third time and passed.

Mr. YARBOROUGH. Mr. President, I desire to thank the distinguished majority leader for the diligence he has shown in having the bill called up. These retired employees and their widows have felt "let down" because they were not included in the bill last year, but the committee was advised at that time that it was actuarially unsound to attempt to include them in the bill with the employees who are covered under the Federal Employees Health Act of 1959.

I think this is a very beneficial bill and will help the majority of Federal employees who are about to retire and who have previously retired. They will know that they will be covered.

Mr. JOHNSON of Texas. I appreciate the compliment of my colleague. I think the beneficiaries of the legislation will

appreciate the diligence and assistance he has shown in connection with it.

Mr. President, I move to reconsider the vote by which the bill was passed.

Mr. YARBOROUGH. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

PRINT WITH ILLUSTRATIONS COMMITTEE PRINT ENTITLED "RELATIVE WATER AND POWER RESOURCE DEVELOPMENT IN THE U.S.S.R. AND U.S.A."

Mr. JOHNSON of Texas. Mr. President, I ask unanimous consent that the Senate proceed to the consideration of Calendar No. 1120, Senate Resolution 259.

The PRESIDING OFFICER. The resolution will be stated by title.

The LEGISLATIVE CLERK. A resolution (S. Res. 259) to print with illustrations a committee print entitled "Relative Water and Power Resource Development in the U.S.S.R. and U.S.A."

The PRESIDING OFFICER. Is there objection to the present consideration of the resolution?

There being no objection, the Senate proceeded to consider the resolution.

Mr. JOHNSON of Texas. Mr. President, an excellent study of the relative water and power resource development in the U.S.S.R. and the United States was made last fall by members of the Committee on Interior and Insular Affairs. The Senator from Utah [Mr. Moss] is the author of the resolution which has been reported unanimously, and which provides for the printing of additional copies of this very important study. So far as I am aware, there is no objection to the printing of this report.

The PRESIDING OFFICER. The question is on agreeing to the resolution.

The resolution (S. Res. 259) was agreed to, as follows:

Resolved, That the committee print entitled "Relative Water and Power Resource Development in the U.S.S.R. and the U.S.A.," consisting of a joint subcommittee report and staff studies of the Committee on Interior and Insular Affairs and the Committee on Public Works, be printed with illustrations as a Senate document.

Sec. 2. There shall be printed for the use of the Committee on Interior and Insular Affairs three thousand seven hundred additional copies of such Senate document.

PRINTING WITH ILLUSTRATIONS COMMITTEE PRINT ENTITLED "RELATIVE WATER AND POWER RESOURCE DEVELOPMENT IN THE U.S.S.R. AND U.S.A."

Mr. JOHNSON of Texas. Mr. President, I move that the Senate proceed to the consideration of Calendar No. 1128, Senate Resolution 260.

The PRESIDING OFFICER. The resolution will be stated by title.

The LEGISLATIVE CLERK. A resolution (S. Res. 260) to print with illustrations a committee print entitled "Relative Water and Power Resource Development in the U.S.S.R. and U.S.A."

The PRESIDING OFFICER. The question is on agreeing to the motion of the Senator from Texas.

The motion was agreed to; and the Senate proceeded to consider the resolution which had been reported from the Committee on Rules and Administration, with an amendment, to strike out all after the word "Resolved," and insert "That there be printed for the use of the Committee on Public Works three thousand seven hundred additional copies of the Senate document entitled 'Relative Water and Power Resource Development in the U.S.S.R. and the U.S.A.'"

Mr. ELLENDER. Mr. President, what is the difference between Senate Resolution 259 and Senate Resolution 260? The language is the same in both resolutions, is it not? It appears to me that it is the same report which is sought to be printed.

Mr. JOHNSON of Texas. Senate Resolution 259 relates to the printing of the report for the benefit of the Committee on Interior and Insular Affairs; Senate Resolution 260 calls for its printing for the Committee on Public Works.

Mr. ELLENDER. It is the same report, though, is it not?

Mr. JOHNSON of Texas. It is the same report, but one committee desires some copies, and the other committee wants some copies. The Committee on Public Works desires copies because the report reflects the hydroelectric development in the U.S.S.R.

Mr. ELLENDER. But the report would be the same; would it not?

Mr. JOHNSON of Texas. Yes.

The PRESIDING OFFICER. The question is on agreeing to the amendment.

The amendment was agreed to.

The resolution, as amended, was agreed to.

Mr. JOHNSON of Texas. Mr. President, I move that the Senate reconsider the vote by which Senate Resolution 259 and Senate Resolution 260 were agreed to.

Mr. MANSFIELD. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

AREA REDEVELOPMENT

Mr. JOHNSON of Texas. Mr. President, S. 722 is the bill to establish an effective program to alleviate conditions of substantial and persistent unemployment and underemployment in certain economically depressed areas. It is popularly known as the area redevelopment bill. It passed this body last year.

The House yesterday struck out the language of the Senate bill and added an amendment in the nature of a substitute. This is a matter of general interest to all Members of this body. I do not wish to call up the bill without advance notice to all Senators. On the other hand, it is a very important bill, and we shall want to consider it and discuss it as soon as possible.

I do not think it should be called up this afternoon, but it may be called up later in the day. Perhaps I shall ask that the Senate convene early tomorrow

and try to consider the bill tomorrow or on Saturday, or perhaps on Monday. I shall discuss the matter with the minority leadership as well as with majority Members who are vitally interested in the matter. However, I desire all Senators to know that the House bill is at the desk and can be called before the Senate at any time. Either it can be sent to conference, or a motion can be made to concur in the House amendment. I am not certain what procedure will be followed, but I desire the Record to show that the measure is here, and that we expect to have it discussed and acted upon at an early date.

Mr. ELLENDER. Is the Senator informed as to the difference between the two bills? Is there a sufficient difference, so that the committee would have to reconsider the bill?

Mr. JOHNSON of Texas. I have talked with members of the committee who are very much interested in the bill. I am informed that the House made a substantial reduction in the amount contained in the bill as passed by the Senate. I believe the Senate bill provided for \$380-odd million, while the House bill provides for \$250 million.

The Senator from Pennsylvania is familiar with the House bill. I believe the House substantially reduced the amount which was provided in the bill passed by the Senate last year.

Mr. CLARK. Mr. President, will the Senator yield?

Mr. JOHNSON of Texas. I yield.

Mr. CLARK. The principal difference is that the original Senate bill provided \$389 million, which would be a direct loan from the Treasury. The House bill provides \$251 million, and requires an appropriation. There are other differences, which are more or less minor in extent, but these are the two principal differences.

Mr. JOHNSON of Texas. The amount of \$389 million was passed by the Senate?

Mr. CLARK. Yes.

Mr. JOHNSON of Texas. That was a loan program. The House bill provides \$251 million?

Mr. CLARK. The House bill provides \$251 million, and calls for an appropriation.

Mr. JOHNSON of Texas. The House bill, then, is an authorization for \$251 million?

Mr. CLARK. That is correct.

Mr. ELLENDER. Will that be in the form of grants?

Mr. CLARK. No; it will be almost entirely in the form of loans. There is a small sum of \$75 million for grants, which is provided in the House bill, for the people who are able to persuade the administrator that they are unable to do the financing by themselves.

Mr. ELLENDER. Are the other provisions the same?

Mr. CLARK. They are substantially the same. The differences are minor and technical.

Mr. ELLENDER. Did I correctly understand the Senator from Texas to say that the bill will not be called up this afternoon?

Mr. JOHNSON of Texas. No; I did not say that, although I do not expect

that it will be called up. However, I do not want to be foreclosed from doing so. I shall suggest the absence of a quorum before doing so. I want to talk with the minority leader about it, but he is not in the Chamber now. But I made no such statement, and I do not wish to.

Mr. President, I wonder whether the Senator from Pennsylvania will state the number of the bill reported from the Committee on Post Office and Civil Service, inasmuch as the Senator from Ohio is in the Chamber.

Mr. CLARK. It is Calendar No. 1323, House bill 8241, to amend certain provisions of the Civil Service Retirement Act relating to the reemployment of former Members of Congress.

AMENDMENT OF CIVIL SERVICE RETIREMENT ACT

Mr. JOHNSON of Texas. Mr. President, I move that the Senate proceed to the consideration of Calendar No. 1323, House bill 8241; and I invite the attention of the Senator from Delaware and the Senator from Ohio to this measure.

The PRESIDING OFFICER (Mr. YOUNG of Ohio in the chair). The bill will be stated by title, for the information of the Senate.

The CHIEF CLERK. A bill (H.R. 8241) to amend certain provisions of the Civil Service Retirement Act relating to the reemployment of former Members of Congress.

The PRESIDING OFFICER. The question is on agreeing to the motion of the Senator from Texas.

The motion was agreed to; and the Senate proceeded to consider the bill (H.R. 8241), which had been reported from the Committee on Post Office and Civil Service, with amendments.

The PRESIDING OFFICER. The first committee amendment will be stated.

The first amendment reported by the Committee on Post Office and Civil Service was, on page 1, at the beginning of line 3, to strike out:

That (a) section 9(c) of the Civil Service Retirement Act (5 U.S.C. 2259(c)) is amended—

(1) by striking out "The annuity of a Member retiring under this Act" and inserting in lieu thereof "The annuity of a Member, or of a former Member with title to Member annuity, retired under this Act"; and

(2) by inserting, in paragraphs (2), (3), (4), and (5) thereof, or performed in a position in which he is subject to this Act after his separation from service as a Member," immediately following "prior to his separation from service as a Member,".

And, in lieu thereof, to insert:

That (a) subsection (1) of section 1 of the Civil Service Retirement Act is amended by striking out the words "in the case of an employee separated or transferred to a position not within the purview of this Act before he has completed five years of civilian service or a Member separated before he has completed five years of Member service" and inserting in lieu thereof "in the case of an employee or Member separated or transferred to a position not within the purview of this Act before he has completed five years of civilian service".

(b) Subsection (f) of section 6 of such Act is amended by striking out the words "Member service" where they first appear in such subsection and inserting in lieu thereof the words "civilian service".

(c) Subsection (b) of section 8 of such Act is amended by striking out the words "Member service" in the first sentence and inserting in lieu thereof the words "civilian service".

(d) (1) So much of subsection (b) of section 9 of such Act as precedes the first proviso is amended to read as follows:

"(b) The annuity of a congressional employee retiring under this Act shall be computed as provided in subsection (a), except that with respect to so much of his service as a congressional employee and his military service as does not exceed a total of fifteen years, and with respect to any Member service, the annuity shall be computed by multiplying 2½ per centum of the average salary by the years of such service:".

(2) Clause (1) of the second sentence of such subsection is amended by inserting after the words "congressional employee" the words "or Member, or any combination of such service".

(e) The first sentence of section 9(c) is amended to read as follows:

"(c) The annuity of a Member, or of a former Member with title to Member annuity, retiring under this Act shall be computed as provided in subsection (a), except that if he has had at least five years' service as a Member or a congressional employee, or any combination of such service the annuity shall be computed, with respect to (1) his service as a Member and so much of his military service as is creditable for the purposes of this clause, and (2) so much of his congressional employee service as does not exceed fifteen years, by multiplying 2½ per centum of the average salary by the years of such service."

The PRESIDING OFFICER. The question is on agreeing to this committee amendment.

The amendment was agreed to.

Mr. WILLIAMS of Delaware. Mr. President, may we have an explanation of the bill?

Mr. CLARK. Mr. President, this House bill deals with the reemployment of former Members of Congress.

The bill as passed by the House has been amended by the Committee on Post Office and Civil Service by striking out certain provisions and inserting new text.

The purpose of the bill is to remove a number of inconsistencies and to correct certain inequities in the operation of the Civil Service Retirement Act.

Mr. President, this measure is a very technical one; but I shall do my best to explain it as simply as possible.

Under present law, 5 years of service as a Member of Congress are required in order for a former Member of Congress to obtain initial coverage under the Retirement Act or to regain coverage previously acquired by him by virtue of earlier service as an employee, in a position subject to the act. In other words, this bill deals with the problem which confronts a Member of Congress who previously served the Government in an administrative position, either on Capitol Hill or in the departments downtown or out in the field. The purpose of the bill is to try to make more equitable the retirement rights of such persons who have come under the retirement plan, either in the first instance as an employee, or as a Member of Congress, and then their status has changed, and their retirement

S. 2575

IN THE HOUSE OF REPRESENTATIVES

MAY 6, 1960

Referred to the Committee on Post Office and Civil Service

AN ACT

To provide a health benefits program for certain retired employees of the Government.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That this Act may be cited as the "Retired Federal Employ-
4 ees Health Benefits Act of 1960."

DEFINITIONS

5
6 SEC. 2. As used in this Act—

7 (a) The terms "employee", "member of family", "de-
8 pendent husband", "health benefits plan", "carrier", "em-
9 ployee organization", and "Commission" have the same
10 meanings as in the Federal Employees Health Benefits Act
11 of 1959.

1 (b) "Retired employee" means an employee or member
2 of a family who would be an annuitant under the Federal
3 Employees Health Benefits Act of 1959 had he not become
4 an annuitant prior to the effective date of that Act.

5 ESTABLISHMENT OF HEALTH BENEFITS PROGRAM

6 SEC. 3. The Commission is authorized and directed to
7 establish a health benefits program for retired employees and
8 members of their families who are not eligible for coverage
9 under the Federal Employees Health Benefits Act of 1959.
10 Such program shall permit retired employees enrolled, on
11 the effective date of this Act, in any health benefits plan of
12 a carrier approved under the Federal Employees Health
13 Benefits Act of 1959, or of a carrier otherwise approved
14 by the Commission, to continue such enrollment under the
15 provisions of this Act. The Commission may withdraw from
16 participation in the plan of any carrier when in its judg-
17 ment the number of retired employees and members of their
18 families enrolled in such plan is not large enough to warrant
19 the administrative cost of continuance, but in any such case
20 the retired employees and members of their families covered
21 by such plan shall be given full opportunity for transfer to
22 another approved plan.

23 ENROLLMENT

24 SEC. 4. The program authorized by this Act shall not
25 be applicable to any retired employee or member of his

1 family unless such retired employee elects, within ninety days
 2 after October 1, 1960, to be covered by such program, and
 3 consents to the deduction from his annuity or other benefit
 4 payments of such amounts as are prescribed pursuant to
 5 section 5 as his contributions to the cost of such program.

6 CONTRIBUTIONS

7 SEC. 5. (a) (1) Except as provided in paragraph (2),
 8 if a retired employee enrolls in an approved health benefits
 9 plan, the Government shall contribute toward his subscription
 10 charge such amounts as the Commission by regulation may
 11 from time to time prescribe. The amounts so prescribed
 12 shall not be less than the minimums or more than the maxi-
 13 mums in the following schedule:

If retired employee is enrolled for—	Monthly minimum	Monthly maximum
Self only-----	\$2.70	\$3.80
Self and spouse-----	5.40	7.60
Self and spouse who is a nondependent husband----	2.70	3.80
Self and family-----	6.50	9.20
Self and family which includes a nondependent husband-----	3.80	5.40

14 (2) If the total monthly subscription charge is less than
 15 \$5.40 for a retired employee enrolled for self alone, \$10.80
 16 for a retired employee enrolled for self and spouse, or \$13.00
 17 for a retired employee enrolled for self and family, the con-
 18 tribution of the Government shall be 50 per centum of such
 19 subscription charge, except that if a female retired employee
 20 enrolls for self and a nondependent husband, the Govern-

1 ment's contribution shall be 25 per centum of such subscrip-
2 tion charge or if a female retired employee enrolls for self
3 and family which includes a nondependent husband the
4 Government's contribution shall be 30 per centum of such
5 subscription charge.

6 (b) There shall be withheld from the annuity or com-
7 pensation of each enrolled retired employee so much as is
8 necessary, after deducting the contribution of the Govern-
9 ment, to pay the total charge for his enrollment.

10 (c) The amounts authorized by subsection (a) to be
11 contributed by the Government shall be paid from annual
12 appropriations which are hereby authorized to be made for
13 such purpose.

14 RETIRED EMPLOYEES' HEALTH BENEFITS FUND

15 SEC. 6. (a) The contributions of retired employees and
16 the Government shall be deposited in the Retired Employees'
17 Health Benefits Fund, hereinafter referred to as the "Fund",
18 which is hereby created and which shall be administered by
19 the Commission.

20 (b) The Fund shall be available without fiscal year limi-
21 tation for all payments on account of health benefits plans and
22 for payment of expenses incurred by the Commission in ad-
23 ministering this Act, but not to exceed 2 per centum of the
24 Government contribution.

25 (c) Any contributions remaining in the Fund after the

1 payments described in subsection (b) have been made and
2 any dividends or other refunds made by a carrier shall be
3 set aside in the Fund as a contingency reserve for that car-
4 rier. Such contingency reserve may be used to defray in-
5 creases in future rates of or to reduce the retired employees'
6 and the Government's contributions, or to increase the health
7 benefits provided, as the Commission may from time to time
8 determine.

9 (d) The Secretary of the Treasury is authorized to in-
10 vest and reinvest any of the moneys in the Fund in interest-
11 bearing obligations of the United States for the purposes of
12 the Fund. The interest on and the proceeds from the sale
13 of any such obligations shall become a part of the Fund.

14 ADMINISTRATION

15 SEC. 7. (a) The Commission shall administer this Act,
16 negotiate contracts for the plans provided in section 3 without
17 regard to section 3709 of the Revised Statutes, as amended
18 (41 U.S.C. 5), and prescribe such regulations as are neces-
19 sary to give full effect to the purposes of this Act. Such reg-
20 ulations may include, but are not limited to, the following:

- 21 (1) Minimum standards to be met by a carrier;
- 22 (2) Exclusions of retired employees from coverage;
- 23 (3) Beginning and ending dates of coverage;
- 24 (4) Temporary extension of coverage;
- 25 (5) Changes in enrollment;

- 1 (6) Questions of dependency;
- 2 (7) Certificates and other information to be furnished
- 3 retired employees;
- 4 (8) Contributions during periods of suspension of an-
- 5 nuity payments and in other extraordinary situations; and
- 6 (9) Adjustment of contributions to nearest ten cents.
- 7 (b) The Commission may request carriers to furnish
- 8 such reasonable reports as the Commission determines to be
- 9 necessary to enable it to carry out its functions under this
- 10 Act. The carriers shall furnish such reports when requested
- 11 and permit the Commission and representatives of the Gen-
- 12 eral Accounting Office to examine such records of the car-
- 13 riers as may be necessary to carry out the purposes of this
- 14 Act.
- 15 (c) Each agency of the United States or the District
- 16 of Columbia which administers a retirement system for
- 17 annuitants shall keep such records, make such certifications,
- 18 and furnish the Commission with such information and
- 19 reports as may be necessary to enable the Commission to
- 20 carry out its functions under this Act.
- 21 (d) There are hereby authorized to be expended from
- 22 Employees' Life Insurance Fund, without regard to limita-
- 23 tions on expenditures from that Fund, for fiscal years 1960,
- 24 1961, and 1962, such sums as may be necessary to pay ad-
- 25 ministrative expenses incurred by the Commission in carry-

1 ing out the health benefits provisions of this Act. Reimburse-
2 ments to the Employees' Life Insurance Fund for sums so
3 expended, together with interest at a rate to be determined
4 by the Secretary of the Treasury, shall be made from the
5 Retired Employees' Health Benefits Fund which is hereby
6 made available for this purpose.

7 SEC. 8. The Commission shall transmit to the Congress
8 annually a report concerning the operation of this Act.

9 EFFECTIVE DATE

10 SEC. 9. The health benefits program provided for by
11 section 3 of this Act shall take effect January 1, 1961. The
12 contributions provided for by section 5 of this Act shall take
13 effect on December 1, 1960, with respect to annuity or com-
14 pensation accruing for periods beginning on and after that
15 date.

Passed the Senate May 5, 1960.

Attest:

FELTON M. JOHNSTON,

Secretary.

AN ACT

To provide a health benefits program for certain
retired employees of the Government.

May 6, 1960

Referred to the Committee on Post Office and Civil
Service

86TH CONGRESS
2D SESSION

H. R. 12495

H. R. 12495

IN THE HOUSE OF REPRESENTATIVES

JUNE 2, 1960

MR. LESINSKI introduced the following bill; which was referred to the Committee on Post Office and Civil Service

A BILL

To provide a health benefits program for certain retired employees of the Government.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That this Act may be cited as the “Retired Federal Em-
4 ployees Health Benefits Act.”

5 DEFINITIONS

6 SEC. 2. As used in this Act:

7 (a) The terms "employee", "Government", "member
8 of family", and "Commission" have the same meanings,
9 when used in this Act as such terms have when used in the
10 Federal Employees Health Benefits Act of 1959.

11 (b) “Health benefits plan” means an insurance policy

1 or contract, medical or hospital service arrangement, mem-
2 bership or subscription contract, or similar agreement pro-
3 vided by a carrier for the purpose of providing, paying for,
4 or reimbursing expenses for hospital care, surgical or medical
5 diagnosis, care and treatment, drugs and medicines, or other
6 medical supplies and services, or any combination of these.

7 (c) "Retired employee" means any person who would
8 be an annuitant as that term is defined in the Federal Em-
9 ployees Health Benefits Act of 1959 if the contribution and
10 enrollment provisions of that Act had been in effect on the
11 date the person became an annuitant, but does not include
12 any person who was a noncitizen whose permanent-duty
13 station was outside a State of the United States or the District
14 of Columbia on the day before he became an annuitant.

15 (d) "Carrier" means a voluntary association, corpora-
16 tion, partnership, or other nongovernmental organization
17 which lawfully offers a health benefits plan.

18 SEC. 3. (a) The Commission shall, without regard to
19 section 3709 of the Revised Statutes or any other provision
20 of law requiring competitive bidding, enter into a contract
21 with a qualified carrier for one uniform Government-wide
22 health benefits plan for retired employees. Such contract
23 shall be for a period of at least one year and shall be auto-
24 matically renewable in the absence of notice of termination
25 by either party. Such plan shall be one which meets the

1 qualification standards prescribed by either paragraph (1)
2 or paragraph (2) of section 4 of the Federal Employees
3 Health Benefits Act of 1959.

4 (b) The contract under this Act shall contain a detailed
5 statement of the benefits offered and shall include such
6 maximums, limitations, exclusions, and other definitions of
7 benefits as the Commission may deem necessary or desirable.
8 No person may be excluded because of race, sex, health
9 status, or age, and the contract may not deny or limit bene-
10 fits because of any preexisting condition.

11 (c) The rates charged for the health benefits plan de-
12 scribed in subsection (a) of this section shall reasonably
13 and equitably reflect the cost of the benefits provided. Rates
14 determined for the first term shall be adjusted for subse-
15 quent terms on the basis of experience. The Commission
16 shall prescribe the extent to which reserves due to favorable
17 experience may be retained by the carrier. Such reserves
18 shall in any case be retained for the benefit of retired em-
19 ployees enrolled thereunder, and members of their families.

20 CONTRIBUTIONS

21 SEC. 4. (a) If a retired employee enrolls in the health
22 benefits plan provided for by section 3 of this Act, the Gov-
23 ernment shall contribute toward his subscription charge such
24 amounts as the Commission by regulation may from time
25 to time prescribe. The amount so prescribed, if the em-

1 ployee is enrolled for self only, shall not be less than \$3.00
2 monthly or more than \$4.00 monthly. The amount to be
3 prescribed for a retired employee enrolled for self and family
4 shall be twice the contribution for one enrolled for self only.

5 (b) In addition, the Government shall contribute an-
6 other 2 per centum of each contribution authorized by sub-
7 section (a) of this section to the Retired Employees Health
8 Benefits Fund, for payment of expenses incurred by the Com-
9 mission in administering this Act.

10

WITHHOLDING

11 SEC. 5. There shall be withheld from the annuity or
12 compensation of each retired employee enrolled under sec-
13 tion 3 of this Act so much as is necessary, after deducting
14 the contribution of the Government, to pay the total charge
15 for his enrollment.

16

OTHER HEALTH BENEFITS PLANS

17 SEC. 6. (a) A retired employee who elects to obtain
18 a health benefits plan, or to retain an existing health benefits
19 plan, other than the plan provided for under section 3 of
20 this Act, directly with a carrier, shall be paid a Govern-
21 ment contribution to the cost of his health benefits plan
22 which shall be equal in amount to the appropriate Govern-
23 ment contribution established by the Commission pursuant
24 to section 4 (a) of this Act, but may not exceed the cost

1 of the health benefits plan in which he enrolled or which
2 he retains or, if the plan combines health benefits with
3 other benefits, shall not exceed the premium fixed by the
4 carrier for the health benefits portion of the plan in which
5 he is enrolled or which he retains.

6 (b) In addition, the Government shall contribute an-
7 other 2 per centum of each contribution authorized by sub-
8 section (a) of this section to the Retired Employees Health
9 Benefits Fund, for payment of expenses incurred by the
10 Commission in administering this Act.

11 ELECTIONS

12 SEC. 7. Each retired employee shall, within such time
13 after March 1, 1961, as the Commission shall prescribe,
14 notify the Commission of his election (1) to enroll in the
15 plan provided under section 3 of this Act, (2) to enroll
16 in or retain another health benefits plan and receive Gov-
17 ernment contributions under section 6 of this Act, or (3)
18 not to participate in the programs offered under this Act.
19 If the retired employee elects to enroll under clause (2)
20 of this section, his election shall be accompanied by a cer-
21 tificate of the carrier certifying the fact of his enrollment
22 and the cost of the health benefits plan, or of the health
23 benefits portion of the plan.

1 RETIRED EMPLOYEES HEALTH BENEFITS FUND

2 SEC. 8. (a) The withholdings of retired employees
3 under section 5 of this Act and the contributions of the
4 Government under sections 4 and 6 of this Act shall be
5 deposited in the Retired Employees Health Benefits Fund,
6 hereinafter referred to as the "Fund", which is hereby
7 created and which shall be administered by the Commission.

8 (b) The Fund shall be available without fiscal year
9 limitation for all payments on account of the health bene-
10 fits plan negotiated under section 3 of this Act, for payment
11 to agencies of the Government which administer a retire-
12 ment system for civilian employees of the Government, and
13 for payment of expenses, not to exceed the Government's
14 contributions authorized by sections 4(b) and 6(b) of
15 this Act, incurred by the Commission in administering this
16 Act.

17 (c) Any contributions authorized by sections 4(a) and
18 6(a) of this Act remaining in the Fund after the payments
19 described in subsection (b) of this section have been made
20 and any dividends or other refunds made by the carrier shall
21 be set aside in the Fund as a contingency reserve for the
22 carrier. Such contingency reserve may be used to defray
23 increases in future rates of or to reduce the retired em-

1 ployees' and the Government's contributions, or to increase
2 the health benefits provided, as the Commission may from
3 time to time determine.

4 (d) The Secretary of the Treasury is authorized to
5 invest and reinvest any of the moneys in the Fund in inter-
6 est-bearing obligations of the United States for the purposes
7 of the Fund. The interest on and the proceeds from the
8 sale of any such obligations shall become a part of the
9 Fund.

10 ADMINISTRATION

11 SEC. 9. (a) The Commission shall administer this Act
12 and prescribe such regulations as are necessary to give full
13 effect to the purposes of this Act.

14 (b) Such regulations shall fix minimum standards to
15 be met by the carrier and the plan under section 3 of this
16 Act, including extensions of coverage to be provided. The
17 Commission may request the carrier to furnish such reason-
18 able reports as the Commission determines to be necessary to
19 enable it to carry out its functions under this Act. The
20 carrier shall furnish such reports when requested and permit
21 the Commission and representatives of the General Account-
22 ing Office to examine such records of the carrier as may be
23 necessary to carry out the purposes of this Act.

1 (c) The Commission's regulations may include, but are
2 not limited to, the following:

3 (1) exclusions of retired employees from coverage;

4 (2) beginning and ending dates of coverage, and
5 conditions of eligibility;

6 (3) methods of filing the elections required by
7 section 7 of this Act and other information;

8 (4) methods of making contributions authorized by
9 section 6, and withholdings required by section 5 of this
10 Act;

11 (5) changes in enrollment;

12 (6) questions of dependency;

13 (7) certificates and other information to be fur-
14 nished to retired employees;

15 (8) contributions and withholding during periods
16 of suspension of annuity payments and in other extraor-
17 dinary situations; and

18 (9) when, and under what conditions, an election
19 not to participate in the programs offered under this
20 Act may be withdrawn.

21 (d) Each agency of the United States or the District of
22 Columbia which administers a retirement system for annui-
23 tants shall keep such records, make such certifications, and

1 furnish the Commission with such information and reports
2 as may be necessary to enable the Commission to carry out
3 its functions under this Act.

4 (e) There are hereby authorized to be expended from
5 the Employees Life Insurance Fund, without regard to limi-
6 tations on expenditures from that Fund, for any fiscal years
7 from the date of enactment through the fiscal year ending
8 June 30, 1962, inclusive, such sums as may be necessary to
9 pay administrative expenses incurred by the Commission in
10 carrying out the health benefits provisions of this Act. Re-
11 imbursements to the Employees Life Insurance Fund for
12 sums so expended, together with interest at a rate to be de-
13 termined by the Secretary of the Treasury, shall be made
14 from the Retired Employees Health Benefits Fund which is
15 hereby made available for this purpose.

16 APPROPRIATIONS

17 SEC. 10. The amounts authorized by this Act to be con-
18 tributed by the Government shall be paid from annual ap-
19 propriations which are hereby authorized to be made for such
20 purpose.

21 ANNUAL REPORT

22 SEC. 11. The Commission shall transmit to the Congress
23 annually a report concerning the operation of this Act.

EFFECTIVE DATE

2 SEC. 12. The health benefits program provided for by
3 this Act shall take effect July 1, 1961. The contributions
4 and withholdings provided for by this Act shall take effect
5 on June 1, 1961, with respect to annuity or compensation
6 accruing for periods beginning on and after that date.

86TH CONGRESS
2D SESSION

H. R. 12495

A BILL

To provide a health benefits program for certain retired employees of the Government.

By Mr. LESINSKI

JUNE 2, 1960

Referred to the Committee on Post Office and Civil
Service

Digest of CONGRESSIONAL PROCEEDINGS

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF
BUDGET AND FINANCE

(For Department
Staff Only)

Issued June 21, 1960
For actions of June 20, 1960
86th-2d, No. 113

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HIGHLIGHTS: House committee reported supplemental appropriation bill. House subcommittee voted to report bill to increase milk and butterfat price supports. House committee reported housing bill. Sen. Long, Hawaii, introduced and discussed bill re change of apportionment formula of School Lunch Act. Sen. Ellender submitted and discussed measure to establish annual National Forests Products Week.

HOUSE

1. APPROPRIATIONS. The Committee on Appropriations reported without amendment H. R. 12740, the Supplemental Appropriation Bill for 1961 (H. Rept. 1923) (p. 12382). The bill includes an estimate of \$1,500,000 for the Agricultural Research Service. The Committee earmarked \$200,000 of this estimate for a program to eradicate the screwworm in the Southwest; the balance of \$1,300,000 is for additional research to develop new methods of controlling insects and other pests of plants and animals. The Committee did not approve an estimate of \$500,000 for Foreign Agricultural Service for agricultural market development and trade promotion activities in foreign countries and necessary support in the U. S.

The bill also includes \$73,666,700 for payment of the first installment of the subscription of the United States in the International Development Association.

The Committee denied the request for a supplemental appropriation of \$986,800 for further expansion of international trade fairs and trade missions, stating that it "is in agreement with the objectives of the program but considers the amount provided for 1961 in the regular bill by the House fully adequate."

2. HOUSING. The Banking and Currency Committee reported with amendment H. R. 12603, to extend and amend laws relating to the preservation and improvement of housing and the renewal of urban communities (H. Rept. 1924). p. 12382
3. MILK; PRICE SUPPORTS. The Dairy and Poultry Subcommittee of the Agriculture Committee voted to report to the full committee H. R. 12238, with an amendment to substitute the language of a similar bill, S. 2917, to provide for an increase in the price support level for manufacturing milk and butterfat for the remainder of the current marketing year, beginning with the date of enactment of the bill until March 31, 1961, to not less than \$3.22 per hundredweight for manufacturing milk and not less than 59.6 cents per pound for butterfat. p. D579
4. PERSONNEL. The Post Office and Civil Service Committee reported with amendment H. R. 7810, to credit periods of interment during World War II to certain Federal employees of Japanese ancestry for purposes of the Civil Service Retirement Act and the Annual and Sick Leave Act of 1951 (H. Rept. 1920). p. 12381

A subcommittee of the Post Office and Civil Service Committee voted to report to the full committee S. 2575, to provide a health benefits program for certain Federal employees, with an amendment to substitute the language of a similar bill, H. R. 12495. p. D580

5. MINERALS; LANDS. A subcommittee of the Interior and Insular Affairs Committee voted to report with amendment H. R. 11200, to authorize the Secretary of the Interior to sell certain reserved mineral interests of the U. S. located in Fla. to the record owners of the land. pp. D579-80
 6. WATERSHEDS. Received a letter from the Agriculture Committee approving the following watershed projects: Mill Creek, Pa., Chippewa Creek, O., Ischua Creek, N. Y., West Fork of Clarks River, North Fork of Little River, Ky., North Broad River, Ga., Bad Axe, Wisc., Tabo Creek, Mo., Mill-Picayune Creek, Badger Creek, Iowa, Vineland Area Tributary to Arkansas River, Colo., Huff Creek, S. C., and Brush Creek, W. Va. p. 12376
 7. RECLAMATION. Received from the Interior Department a coordinated report on the San Juan-Chama project, Colorado-New Mexico, and the Navajo Indian irrigation project, New Mexico. p. 12381
 8. DEFENSE DEPARTMENT APPROPRIATION BILL, 1961. Conferees were appointed on this bill, H. R. 11998. Senate conferees have been appointed. p. 12377
 9. LEGISLATIVE PROGRAM. Rep. Albert announced that the call of the Consent Calendar and motions to suspend the rules for consideration of certain bills on the program for Mon., June 20 (see Digest 111 and 112) will be postponed until Tues. and Fri. (p. 12376). He stated that today, June 21, the Poage farm bill will be considered and the Private Calendar will be called (p. 12337).
- SENATE
10. LEGISLATIVE APPROPRIATION BILL, 1961. Passed with amendments, by a vote of 81 to 0, this bill, H. R. 12232 (pp. 12470-85). Agreed to, by a vote of 96 to 23, an amendment by Sen. Williams, Del., to an amendment by Sen. Stennis, requiring Senators and Representatives and their employees to report expenditures made while traveling in foreign countries on official business (pp. 12476-83). Senate conferees were appointed (p. 12485).

Digest of CONGRESSIONAL PROCEEDINGS

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF
BUDGET AND FINANCE

(For Department
Staff Only)

Issued June 22, 1960
For actions of June 21, 1960
86th-2d, No. 114

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HIGHLIGHTS: House debated Poage farm bill. Senate committee voted to report bill to accelerate reforestation programs.

HOUSE

1. FARM PROGRAM. Began debate on H. R. 12261, the Poage farm bill (pp. 12602, 12606 47). Agreed to a Rules Committee resolution providing for 2 hours debate on the bill (pp. 12602, 12606-16). Rejected, 92 to 108, an amendment by Rep. Dixon which would have substituted the language of the Ellender wheat bill (S. 2759) as passed by the Senate for the language of the Poage bill (pp. 12634-46). Rejected an amendment by Rep. Levering to the amendment by Rep. Dixon which would have struck out a provision to reduce the 15-acre wheat exemption to 12 acres of the highest acreage planted during the 5-year period, 1956-60 (p. 12646).
2. UNEMPLOYMENT COMPENSATION; PERSONNEL. Both Houses passed without amendment H. J. Res. 765, providing a supplemental appropriation of \$6 million to the Department of Labor for unemployment compensation for veterans and Federal employees. This measure will now be sent to the President. pp. 12589, 12570
3. PERSONNEL. The Post Office and Civil Service Committee reported with amendment S. 2575, to provide a health benefits program for certain retired employees of the Government (H. Rept. 1930). p. 12666

The Post Office and Civil Service Committee voted to report (but did not actually report) the following bills: p. D586

- H. R. 12336, to amend the Classification Act of 1949 so as to preserve basic compensation in certain downgrading actions;
- H. R. 6743, to provide for survivors' annuities in additional cases under the Civil Service Retirement Act;
- H. R. 543, to amend the Classification Act of 1949 so as to provide a formula for guaranteeing a minimum increase when an employee is promoted from one grade to another.

The Rules Committee reported a resolution for consideration of H. R. 12383, to amend the Federal Employees' Compensation Act so as to make compensation benefits more realistic in terms of present wage rates. p. D586

- 4. VETERANS' LOANS. The Rules Committee reported a resolution for consideration of H. R. 7903, to extend the veterans' guaranteed and direct loan programs for two additional years. p. D586
- 5. CLAIMS; JUDGMENTS. A subcommittee of the Judiciary Committee voted to report to the full committee H. R. 9523, to simplify the payment of certain miscellaneous judgments and the payment of certain compromise settlements. p. D586
- 6. RADIOACTIVITY; TRANSPORTATION. A subcommittee of the Judiciary Committee voted to report to the full committee S. 1806, to revise the "Explosives and Combustibles" transportation chapter of the Criminal Code so as to include the transportation of radioactive materials and etiologic agents as an illegal act. p. D586
- 7. FLOOD CONTROL. Conferees were appointed on H. R. 7634, the omnibus flood control and rivers and harbors bill (p. 12590). Senate conferees have already been appointed.
- 8. PUBLIC DEBT; TAXATION. Conferees were appointed on H. R. 12381, to extend for 1 year the public debt limit and the existing corporate normal-tax rate and certain excise-tax rates (p. 12601). Senate conferees have been appointed.
- 9. LABOR-HEW APPROPRIATION BILL, 1961. Conferees were appointed on this bill, H. R. 11390 (p. 12647). Senate conferees have already been appointed.

SENATE

- 10. FORESTRY. The Interior and Insular Affairs Committee voted to report (but did not actually report) S. J. Res. 95, providing for the acceleration of reforestation programs of this Department and the Department of the Interior. p. D583
- 11. LANDS. The Interior and Insular Affairs Committee reported the following bills:
 - p. 12576
 - H. R. 8740, without amendment, to provide for the leasing of oil and gas interests in certain lands owned by the U. S. in Texas (S. Rept. 1637);
 - S. 3267, without amendment, to amend the Act of October 17, 1940, relating to the disposition of certain public lands in Alaska (S. Rept. 1628);
 - H. R. 9142, without amendment, to provide for the payment of claims of persons who conveyed lands to the U. S. as a basis for lieu selections under the Act of June 4, 1897, and who have not heretofore received the lieu selection or a re-conveyance of their lands (S. Rept. 1639);

RETIRED FEDERAL EMPLOYEES HEALTH BENEFITS ACT

JUNE 21, 1960.—Committed to the Committee of the Whole House on the State
of the Union and ordered to be printed

Mr. DAVIS of Georgia, from the Committee on Post Office and Civil
Service, submitted the following

REPORT

[To accompany S. 2575]

The Committee on Post Office and Civil Service, to whom was referred the bill (S. 2575) to provide a health benefits program for certain retired employees of the Government, having considered the same, report favorably thereon with an amendment and recommend that the bill as amended do pass.

AMENDMENT

The amendment proposed by the committee strikes out all of the Senate bill after the enacting clause and inserts in lieu thereof a substitute text which is contained in the reported bill in italic type. An explanation of the proposed amendment to the text is contained in the explanation of the bill as reported by the committee.

PURPOSE

The purpose of this legislation is to provide a health benefits program, patterned after the health benefits program for active employees under the Federal Employees Health Benefits Act of 1959 (Public Law 86-382; 73 Stat. 708), for retired Government employees and their survivors who are not eligible to enroll in the active employees program because of termination of their service prior to the effective date of such act.

STATEMENT

The committee amendment provides former Federal employees who retired before the effective date of the Federal Employees Health Benefits Act of 1959 with a health benefits program comparable in

principle to the program established by such act for active employees and new retirees. This proposed health benefits program is essential in fairness and equity to the approximately 415,000 individuals now on the retirement rolls who will not be eligible to participate in the active employees program under Public Law 86-382. Provision for this new program also recognizes the clear obligation of the Congress to provide equal treatment, in terms of health and medical benefits, for those loyal former employees who completed their service and earned their retirement before becoming eligible for such benefits under Public Law 86-382.

The committee amendment was approved, and its enactment is urged, by every member of the Post Office and Civil Service Committee. In the judgment of the committee, this amendment represents a compromise on which there can be general agreement in the interest of assuring that there will be a health benefits program for former Government employees and their survivors, who are now on the retirement rolls, at the earliest practicable time.

It is the unanimous conviction of the committee members, also, that the committee amendment represents the one and only legislative measure to provide essential health protection for civil service retirees which is possible of enactment into law during the 86th Congress. It is the sincere and earnest desire of the committee that there shall not be lost this final opportunity to provide a reasonable measure of assistance to these retirees and their survivors in meeting their ever-increasing medical and hospital expenses.

As passed by the Senate, S. 2575 provided that retired Federal employees and their families might enroll under any one of the approximately 40 health benefit plans approved by the U.S. Civil Service Commission under the Federal Employees Health Benefits Act of 1959. The committee amendment substitutes, in lieu of such provision of the Senate-passed bill, provision for a single governmentwide health benefits plan in which any covered retiree or survivor annuitant will have the right to enroll.

This stipulation that the Government-sponsored health program will consist of a single governmentwide plan, rather than the multiplicity of such plans provided for by the Senate-passed bill, represents one of the chief advantages of the committee amendment. The Chairman of the U.S. Civil Service Commission emphasized this point in his testimony at the hearings on this legislation while pointing out the various features, now contained in the committee amendment, which make the amendment far more desirable than the Senate-passed bill.

From an administrative point of view, one governmentwide plan is much to be preferred to a multiplicity of plans such as there are under the Federal Employees Health Benefits Act of 1959. Experience thus far in implementing the 1959 act indicates that contracting with a large number of carriers creates serious administrative problems, causes confusion in the minds of enrollees, and vastly increases administrative and other costs. From a substantive point of view, dividing the retired employees, who constitute a closed group, into many smaller plans well might tend to reduce the benefits which otherwise could be secured for the larger single group enrolled in one plan. With a multiplicity of plans, each carrier might justifiably expect to attract the poorest risks and accordingly reduce the benefits available for the premium dollar.

The committee amendment also provides a simpler and more favorable Government-contribution structure than that provided by the Senate bill. As passed by the Senate, S. 2575 contains a schedule of five different rates of contribution toward premium costs, depending on whether the retiree enrolls for self only, self and spouse, self and spouse who is a nondependent husband, self and family, or self and family which includes a nondependent husband. The committee amendment provides one premium contribution rate—which shall be not less than \$3 nor more than \$4 monthly—for a retired employee who enrolls for self only and a contribution of twice such rate for a retired employee who enrolls for self and family.

Experience shows that such a two-rate system of contributions not only is simpler to administer but also is more realistic and equitable than a multiple-rate system because in most instances the family of a retired employee consists of only two persons eligible for coverage—the annuitant and spouse. In those instances where there are more than two eligible family members, the families generally will be younger with correspondingly lower utilization of health services.

This legislation also provides for an additional Government contribution, of up to 2 percent of the amount of the Government's premium contribution, to pay the expenses incurred by the Civil Service Commission in administering the act. This 2-percent figure is comparable, on a percentage basis, to the 1 percent of the aggregate amount of the Government contributions and employee withholdings being set aside to pay the expenses of administration under the Federal Employees Health Benefits Act of 1959.

In order to meet the varying needs of retired employees, the committee amendment grants persons eligible under the plan the option of retaining health benefits coverage they now have or of enrolling in any health benefits plan of their choice, subject to certain qualification requirements with respect to carriers which are necessary to protect the persons who exercise this option. The Government's contribution to the cost of such health benefit plans will be paid directly to the retired employees. This feature accomplishes several purposes and is highly desirable. It permits a free choice from among all the various health benefit plans available without the administrative difficulty and cost involved in requiring Civil Service Commission approval of a multiplicity of plans. It permits retired employees living in low-medical-cost areas to enroll, or to retain their enrollment, in local plans the costs of which reflect the low medical costs prevailing in the areas. Furthermore, this provision prevents undue interference with the competitive offerings of all qualified carriers who wish to cover individuals in the age groups represented by retired employees. In this connection, protection is afforded against the possibility that unqualified or dishonest carriers or agents might seek to capitalize on the availability of Government contributions at the expense of the retired employees by limiting any such optional plan to a carrier which (1) has been providing health benefits for at least 1 year and (2) if an insurance company is licensed to do business in all of the 50 States and the District of Columbia.

The committee amendment substitutes an effective date of July 1, 1961, for this legislation, in lieu of the January 1, 1961, effective date provided by the Senate-passed bill. Administrative difficulties involved in negotiating an appropriate contract and in communicating

with the 415,000 retired employees and survivors make this later effective date a practical necessity. Granting that early provision of a health benefits program for retired employees is highly desirable, it is considered only prudent and realistic to set the effective date at July 1, 1961, to allow reasonable time to negotiate the most effective and favorable plan possible and to carry out administrative responsibilities in the interest of the Government and of the retired employees and survivors who will benefit.

Section 10 of the committee amendment corrects a serious inequity that has arisen in the operation of the Federal Employees Health Benefits Act of 1959; that is, the active employees program.

The Superintendent of Insurance of the District of Columbia has denied the right of a Federal employee group to provide health benefits to employees in the District of Columbia under its existing health benefits plan, notwithstanding the fact that such plan qualifies under the Federal Employees Health Benefits Act of 1959. This decision, it is said, results from the fact that the national convention of the group at which the health benefits program was approved was held in a city other than Washington, D.C., and, hence, the plan must be considered as one operated by a "foreign company."

This decision is directly contrary to the plain language of the Federal Employees Health Benefits Act of 1959 and threatens partially to defeat one of the primary purposes of such act. The group's health benefits plan in fact always has been operated at the group's national headquarters in Washington, D.C. All of the preliminary work advising the members of the proposal that would be placed before the national convention in question was performed here in Washington. Substantially all of the subsequent operations also have been carried on exclusively in Washington.

In view of the very clear intent of the Congress in enacting those provisions of the Federal Employees Health Benefits Act of 1959 relating to employee organization health plans and of the further fact that this intent will be completely defeated with respect to the employee group plan concerned, in the absence of an appropriate exemption, section 10 of the committee amendment provides the necessary exemption from the Fire and Casualty Act (54 Stat. 1063; D.C. Code 35-1301 et seq.), both for the existing active Federal employees health program and for the retired Federal employees program to be established by the committee amendment. The committee unanimously recommends approval of this exemption.

COST

The U.S. Civil Service Commission, in its official report, estimates that the first year cost of the committee amendment will be between \$15 and \$25 million. It is to be observed that the cost will be a rapidly declining amount in future years, since the individuals covered are retirees and survivors in a relatively advanced age group and there will be no additions to the group on or after the effective date of the Federal Employees Health Benefits Act of 1959.

ADMINISTRATIVE REPORTS

The official reports of the U.S. Civil Service Commission (with an attachment) and of the Bureau of the Budget on H.R. 12495 and H.R. 12506 (which contain provisions identical in principle to the substantive provisions of the committee amendment) follow:

CIVIL SERVICE COMMISSION,
Washington, D.C. June 16, 1960.

Hon. TOM MURRAY,
Chairman, Committee on Post Office and Civil Service
House of Representatives.

DEAR MR. MURRAY: This letter is in reply to your letters dated June 6, 1960, requesting reports on identical bills, H.R. 12495 and H.R. 12506, to provide a health benefits program for certain retired employees.

The current fiscal position of the Federal Government is such that the administration finds it necessary to oppose enactment of either bill at this time. The Commission points out that enactment now would be contrary to an approved policy of opposing new programs, at least until fiscal conditions improve.

However, in view of the recent enactment of a health benefits program for active employees, the Commission appreciates your committee's desire to consider the feasibility of a similar program for retirees, and since you have called upon the Commission for its views, we are glad to give them.

Following is our sectional analysis of the bills:

SECTION 1. SHORT TITLE

Provides a short title: "Retired Federal Employees Health Benefits Act."

SECTION 2. DEFINITIONS

Incorporates by reference applicable definitions contained in the Federal Employees Health Benefits Act of 1959 and adds definition of "retired employee." An employee who retires before the first day of the first pay period which falls on or after July 1, 1960, or who is entitled to compensation under the Federal Employees' Compensation Act because of an injury sustained or illness contracted before the first day of the first pay period which falls on or after July 1, 1960, is not entitled to enroll for health benefits under the Federal Employees Health Benefits Act of 1959. Thus the definition in this section would provide coverage under this act for those annuitants and compensationers who would have been covered by the 1959 act had they not retired or sustained an illness or injury before the date on which the 1959 act became generally effective. Survivor annuitants are similarly treated.

The definitions of "health benefits plan" and "carrier" follow the definitions in the Federal Employees Health Benefits Act of 1959, except that they do not limit application of the act to group plans and carriers. This presumably is to provide for those employees who have or wish to obtain individual policies or contracts for health benefits as provided in section 6.

SECTION 3. GOVERNMENTWIDE PLAN

Authorizes and directs the Civil Service Commission to establish a health benefits program for retirees and members of their families not eligible for benefits under the program established by the Federal Employees Health Benefits Act of 1959 for current employees and future retirees.

The Commission is authorized to enter into a contract for a single uniform governmentwide health benefits plan for retired employees. The governmentwide plan is required to have one level of benefits and must be of the service benefit (Blue Cross-Blue Shield) or indemnity benefit (commercial insurance company) type. The benefits to be provided by the contract are left to the discretion of the Commission, except that no one may be excluded because of race, sex, health status, or age, and the contract may not deny or limit benefits because of any preexisting condition. The rates for the contract are to be determined in the first instance on a reasonable and equitable basis and adjusted for future terms on the basis of experience. Any accumulation due to favorable experience must be retained for the benefit of the retired employees enrolled in this plan.

SECTION 4. CONTRIBUTIONS

Provides for contributions by the Government to the cost of enrollment in the governmentwide plan.

Subsection (a) provides a contribution to be fixed by the Commission within limits of not less than \$3 monthly nor more than \$4 monthly for a retired employee enrolled for himself only. The amount of Government contribution for a retired employee enrolled for himself and family is twice the contribution for one enrolled for self only.

Subsection (b) provides for an additional Government contribution of 2 percent of the contributions authorized by subsection (a) for payment of expenses incurred by the Commission in administering the act.

SECTION 5. WITHHOLDING

Requires withholding from the annuity or compensation of each retired employee enrolled in the governmentwide plan so much as is necessary, after deducting the Government contribution, to pay for his enrollment.

SECTION 6. OTHER HEALTH BENEFITS PLANS

Provides for Government contribution to those retired employees who do not enroll in the governmentwide plan but instead retain or purchase other health insurance. The Government contribution will be the same as that fixed for retired employees who enroll in the governmentwide plan, except that it may not exceed the cost of the plan which the retired employee retains or purchases.

Subsection (b) provides for an additional Government contribution of 2 percent of the contributions authorized by subsection (a), for payment of expenses incurred by the Commission in administering the act.

SECTION 7. ELECTIONS

Requires each retired employee, within such time after March 1, 1961, as the Commission prescribes, to notify the Commission of his election to enroll in the governmentwide plan, to enroll in another health benefits plan, or not to enroll under this act. It further provides that an employee who wishes to enroll under another health benefits plan must furnish a certificate from the carrier certifying the fact of coverage and the cost of the health benefits plan in which he is enrolled. If the employee is enrolled in a plan which provides other benefits in addition to health benefits, the carrier must certify the cost of the health benefits portion of the plan.

SECTION 8. RETIRED EMPLOYEES HEALTH BENEFITS FUND

Subsection (a) creates a retired employees health benefits fund to be administered by the Civil Service Commission in which retired employee and Government contributions are to be deposited.

Subsection (b) provides that the fund shall be available without fiscal year limitation for all payments to the carrier of the governmentwide plan, for payment of the Government's contribution for retired employees who enroll or retain enrollment in plans other than the governmentwide plan, and for administrative expenses incurred by the Commission. These expenses are limited to not more than 2 percent of the amount of the Government's contribution to the subscription charges.

Subsection (c) provides that any dividends or refunds, or other moneys in the fund, may be used to defray increases in future rates, reduce contributions, or increase benefits, as the Commission may determine.

Subsection (d) provides for investment of the fund.

SECTION 9. ADMINISTRATION

This section provides for administration of the act by the Commission. The Commission is authorized to provide for exclusions from coverage and for other matters necessary to the administration of this program. It also authorizes the Commission to use money from the Federal employees life insurance fund, to be repaid from the retired employees health benefits fund, for the initial expenses of administration.

SECTION 10. APPROPRIATIONS

Authorizes annual appropriations to pay the Government contributions authorized by the act.

SECTION 11. ANNUAL REPORT

Stipulates that the Commission shall report to the Congress annually concerning the operation of the act.

SECTION 12. EFFECTIVE DATE

Provides that the health benefits program under the act shall take effect July 1, 1961.

We estimate the cost to the Government if either bill is enacted to be in the magnitude of \$15 to \$25 million for the first year. The exact cost would, of course, depend on how many of the more than 415,000 eligible annuitants and survivor annuitants enroll in a plan and, further, upon the distribution of self-only and family enrollments.

For the reasons stated at the beginning of this report, the Commission does not recommend enactment at this time of any legislation to provide health benefits for retired employees. In the event the committee decides to give further consideration to the bills despite this position, you may wish to consider the attached comments and suggestions of the Commission staff which would facilitate administration of the legislation if enacted.

The Bureau of the Budget states that there is no objection to the submission of this report to your committee.

By direction of the Commission:

Sincerely yours,

ROGER W. JONES, *Chairman.*

COMMENTS ON FEATURES OF H.R. 12495 AND H.R. 12506

Section 3 of the bills provides for one governmentwide plan. From an administrative point of view this is much to be preferred to a multiplicity of plans such as we have under the Federal Employees Health Benefits Act of 1959. Our experience thus far in implementing the 1959 act clearly indicates that contracting with a multiplicity of carriers creates serious administrative problems, causes confusion in the minds of enrollees, and vastly increases printing and other costs. From a substantive point of view, dividing this closed group of retired employees into many smaller plans, each consisting of a closed enrollment, might tend to diminish the benefits which could otherwise be secured for an appreciably larger single group enrolled in one plan. With a multiplicity of plans, each carrier would justifiably expect to attract the poorest risks and accordingly reduce the benefits available for the premium dollar. Additionally, administrative expenses for as small group are proportionately greater than for a large group, thus further reducing the benefits available for the premium dollar.

Section 4 of the bills provides a two-rate contribution structure: one contribution rate for a retired employee who enrolls for self only and twice that rate for a retired employee who enrolls for self and family. Experience shows that such a two-rate structure is not only simpler to administer but is also equitable because in most instances the families of retired employees will consist of only two persons eligible for coverage—the annuitant and spouse. In those instances where there are more than two eligible family members, the families will generally be younger with correspondingly lower utilization of health services.

Sections 4 and 6 of the bills provide for a 2-percent administrative expense fund for the Commission. It should be noted that the 2 percent is a percentage of the Government's contribution only and is not based on any part of the retired employee's contribution. On a percentage basis, this makes the 2-percent figure approximately equivalent to the 1 percent of Government contributions and employee withholdings being set aside for the Commission's administrative expense under the Federal Employees Health Benefits Act of 1959.

Section 6 would permit retired employees to retain coverage they now have—or permit them to enroll—in any health benefits plan of their choice. This is a feature which accomplishes several purposes and which, if the legislation is enacted, the Commission regards as highly desirable. It permits a free choice from among all the various types of health benefit plans available without the administrative difficulties and cost inherent in having a multiplicity of Commission-approved plans. It permits retired employees living in low medical-cost areas to enroll or retain enrollment in a local plan, the subscription charge of which reflects the low medical costs prevailing in the particular area. Further, it creates a minimum of interference with the competitive offerings of all carriers which wish to cover individuals in the age groups represented by retired employees.

Finally, both bills would make benefits under the program effective July 1, 1961. The Commission believes this is the earliest possible date by which this proposed legislation, if enacted, could be implemented. We have taxed our staff to the utmost in implementing the Federal Employees Health Benefits Act of 1959, and because of the complexity of that act expect that we will have to continue using all available manpower in administering it for some time after July 1, 1960, when it becomes effective.

SUGGESTIONS FOR PERFECTING AND MINOR SUBSTANTIVE CHANGES IN
H.R. 12495 AND H.R. 12506

1. On page 2, line 3, insert "for a stated periodic premium or subscription charge" after the word "carrier"; on line 5 insert "remedial care," between the comma after "medicines" and "or."

The first insertion would preclude Government contributions to membership in any organization operated as a "sunshine club" on an assessment basis. The second insertion would broaden the definition of a health benefits plan so as not to arbitrarily exclude certain of the healing arts which are not of a medical or surgical nature (e.g., Christian Science practice) and which a number of health benefit plans now cover.

2. On page 2, between lines 17 and 18, insert "Governmentwide Plan" or a heading of similar import.

3. Strike the last sentence of section 3(a) beginning on line 25, page 2, and in lieu thereof insert the following: "The carrier shall, if the Commission so directs, cede reinsurance to such other companies as may elect to participate or shall allocate its rights and obligations under the contract among such of its affiliates as may elect to participate, in accordance with an equitable formula to be determined by the carrier and approved by the Commission. The contracting carrier, if an insurance company, shall be licensed to issue group health insurance in all the States of the United States and the District of Columbia and shall, in the most recent year for which data are available, have made at least 1 percentum of all group health insurance-benefit payments in the United States."

The last sentence presently in section 3(a) is susceptible of being construed as requiring the governmentwide plan to offer the same benefits as the governmentwide plans under the Federal Employees Health Benefits Act of 1959. The proposed added language would require the carrier of the governmentwide plan

to be one of the larger insurance companies or the Blue Cross-Blue Shield organizations and would permit the Commission to direct the carrier selected to share the risk and any profits with other qualified carriers.

4. On page 4, line 5, and on page 5, line 6, strike "another" and in lieu thereof insert in both places "an amount, as prescribed by the Commission, up to".

This change would permit the contribution for the Commission's administrative expense to be less than 2 percent of the Government's contribution for subscription charges if the full 2 percent were not required.

5. On page 4, line 12, after "enrolled" insert "in the health benefits plan provided for".

6. On page 4, line 24, after "cost" insert "to him".

Conceivably, a retired employee may be enrolled in a plan the cost of which he has no legal obligation to pay, in which case the Government should not contribute.

7. On page 5, line 1, insert "is" between "he" and "enrolled".

8. On page 5, line 3, insert "cost to him of the" between "the" and "premium" for the same reason as in change 6, above.

9. On page 5, line 5, insert the following new sentence after the period: "A retired employee may not receive a Government contribution for more than one plan, nor may a retired employee receive a Government contribution if he is covered under the enrollment of another retired employee who is receiving a Government contribution."

10. On page 5, line 18, strike the "s" in the word "programs."

11. On page 5, line 22, insert "to him" after the word "cost".

12. On page 6, line 10, after "payment" insert "of the Government's contribution provided for by section 6(a) of this Act".

13. On page 6, strike the text beginning with the word "Any" on line 17 and ending with the word "and" on line 20; capitalize the "a" in "any" and on the same line after the word "carrier" insert "under section 3 of this Act". On line 22, strike the word "carrier" and in lieu thereof insert "governmentwide plan".

The text suggested for deletion is superfluous since all contributions referred to will be paid to carriers and none will remain in the fund.

14. On page 7, line 1, insert "to" after "contributions", and on line 2 insert "by that plan" between "provided" and the comma.

15. On page 7, line 17, strike "the" and in lieu thereof insert "all"; on the same line, and on lines 20 and 22, add an "s" to the word "carrier".

16. On page 8, line 17, strike "and"; on line 20 strike the period and in lieu thereof insert "; and" and add a new paragraph as follows:

"(10) Under what conditions and to what extent the cost of a plan shall be considered a cost attributable to the retired employee."

The addition will permit the Commission to determine whether and to what extent the Government should contribute to the cost of coverage of a retired employee in certain questionable cases, as for example where a retiree is covered under the family enrollment of his wife who is not a retired employee.

EXECUTIVE OFFICE OF THE PRESIDENT,
BUREAU OF THE BUDGET,
Washington, D.C., June 16, 1960.

HON. TOM MURRAY,
*Chairman, Committee on Post Office and Civil Service,
House of Representatives, Washington, D.C.*

MY DEAR MR. CHAIRMAN: Reference is made to your requests of June 6, 1960, for the views of the Bureau of the Budget respecting H.R. 12495 and H.R. 12506, identical bills to provide a health benefits program for certain retired employees of the Government.

The subject bills are substantially similar in purpose to S. 2575, now pending before your committee. On May 27, 1960, this Bureau submitted an adverse report on the Senate measure, stating that the provision of health insurance benefits for "prior" pensioners and employer contribution toward such benefits is far from a common practice in private enterprise.

Accordingly, for the reasons stated in the previous report, the Bureau of the Budget would strongly object to enactment of the subject bills.

Sincerely yours,

PHILLIP S. HUGHES,
Assistant Director for Legislative Reference.

○

86TH CONGRESS
2D SESSION

S. 2575

[Report No. 1930]

IN THE HOUSE OF REPRESENTATIVES

MAY 6, 1960

Referred to the Committee on Post Office and Civil Service

JUNE 21, 1960

Reported with an amendment, committed to the Committee of the Whole House
on the State of the Union, and ordered to be printed

[Strike out all after the enacting clause and insert the part printed in italic]

AN ACT

To provide a health benefits program for certain retired employees of the Government.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 ~~That this Act may be cited as the "Retired Federal Employ-~~
4 ~~ees Health Benefits Act of 1960."~~

5 DEFINITIONS

6 ~~SEC. 2.~~ As used in this Act—

7 ~~(a)~~ The terms “employee”, “member of family”, “de-
8 pendent husband”, “health benefits plan”, “carrier”, “em-
9 ployee organization”, and “Commission” have the same

1 meanings as in the Federal Employees Health Benefits Act
2 of 1959.

3 (b) "Retired employee" means an employee or member
4 of a family who would be an annuitant under the Federal
5 Employees Health Benefits Act of 1959 had he not become
6 an annuitant prior to the effective date of that Act.

7 ESTABLISHMENT OF HEALTH BENEFITS PROGRAM

8 SEC. 3. The Commission is authorized and directed to
9 establish a health benefits program for retired employees and
10 members of their families who are not eligible for coverage
11 under the Federal Employees Health Benefits Act of 1959.
12 Such program shall permit retired employees enrolled, on
13 the effective date of this Act, in any health benefits plan of
14 a carrier approved under the Federal Employees Health
15 Benefits Act of 1959, or of a carrier otherwise approved
16 by the Commission, to continue such enrollment under the
17 provisions of this Act. The Commission may withdraw from
18 participation in the plan of any carrier when in its judg-
19 ment the number of retired employees and members of their
20 families enrolled in such plan is not large enough to warrant
21 the administrative cost of continuance, but in any such case
22 the retired employees and members of their families covered
23 by such plan shall be given full opportunity for transfer to
24 another approved plan.

ENROLLMENT

SEC. 4. The program authorized by this Act shall not be applicable to any retired employee or member of his family unless such retired employee elects, within ninety days after October 1, 1960, to be covered by such program, and consents to the deduction from his annuity or other benefit payments of such amounts as are prescribed pursuant to section 5 as his contributions to the cost of such program.

CONTRIBUTIONS

SEC. 5. (a) (1) Except as provided in paragraph (2), if a retired employee enrolls in an approved health benefits plan, the Government shall contribute toward his subscription charge such amounts as the Commission by regulation may from time to time prescribe. The amounts so prescribed shall not be less than the minimums or more than the maximums in the following schedule:

If retired employee is enrolled for—	Monthly minimum	Monthly maximum
Self only-----	\$2. 70	\$3. 80
Self and spouse-----	5. 40	7. 60
Self and spouse who is a nondependent husband----	2. 70	3. 80
Self and family-----	6. 50	9. 20
Self and family which includes a nondependent husband-----	3. 80	5. 40

~~(2) If the total monthly subscription charge is less than \$5.40 for a retired employee enrolled for self alone, \$10.80 for a retired employee enrolled for self and spouse, or \$13.00~~

1 for a retired employee enrolled for self and family, the con-
 2 tribution of the Government shall be 50 per centum of such
 3 subscription charge, except that if a female retired employee
 4 enrolls for self and a nondependent husband, the Govern-
 5 ment's contribution shall be 25 per centum of such subscrip-
 6 tion charge or if a female retired employee enrolls for self
 7 and family which includes a nondependent husband the
 8 Government's contribution shall be 30 per centum of such
 9 subscription charge.

10 ~~(b)~~ There shall be withheld from the annuity or com-
 11 pensation of each enrolled retired employee so much as is
 12 necessary, after deducting the contribution of the Govern-
 13 ment, to pay the total charge for his enrollment.

14 ~~(c)~~ The amounts authorized by subsection ~~(a)~~ to be
 15 contributed by the Government shall be paid from annual
 16 appropriations which are hereby authorized to be made for
 17 such purpose.

18 RETIRED EMPLOYEES' HEALTH BENEFITS FUND

19 SEC. 6. ~~(a)~~ The contributions of retired employees and
 20 the Government shall be deposited in the Retired Employees'
 21 Health Benefits Fund, hereinafter referred to as the "Fund",
 22 which is hereby created and which shall be administered by
 23 the Commission.

24 ~~(b)~~ The Fund shall be available without fiscal year limi-
 25 tation for all payments on account of health benefits plans and

1 for payment of expenses incurred by the Commission in ad-
2 ministering this Act, but not to exceed 2 per centum of the
3 Government contribution.

4 (c) Any contributions remaining in the Fund after the
5 payments described in subsection (b) have been made and
6 any dividends or other refunds made by a carrier shall be
7 set aside in the Fund as a contingency reserve for that car-
8 rier. Such contingency reserve may be used to defray in-
9 creases in future rates of or to reduce the retired employees'
10 and the Government's contributions, or to increase the health
11 benefits provided, as the Commission may from time to time
12 determine.

13 (d) The Secretary of the Treasury is authorized to in-
14 vest and reinvest any of the moneys in the Fund in interest-
15 bearing obligations of the United States for the purposes of
16 the Fund. The interest on and the proceeds from the sale
17 of any such obligations shall become a part of the Fund.

18 ADMINISTRATION

19 SEC. 7. (a) The Commission shall administer this Act,
20 negotiate contracts for the plans provided in section 3 without
21 regard to section 3709 of the Revised Statutes, as amended
22 (41 U.S.C. 5), and prescribe such regulations as are neces-
23 sary to give full effect to the purposes of this Act. Such reg-
24 ulations may include, but are not limited to, the following:

25 (1) Minimum standards to be met by a carrier;

- 1 ~~(2)~~ Exclusions of retired employees from coverage;
- 2 ~~(3)~~ Beginning and ending dates of coverage;
- 3 ~~(4)~~ Temporary extension of coverage;
- 4 ~~(5)~~ Changes in enrollment;
- 5 ~~(6)~~ Questions of dependency;
- 6 ~~(7)~~ Certificates and other information to be furnished
7 retired employees;
- 8 ~~(8)~~ Contributions during periods of suspension of an-
9 nuity payments and in other extraordinary situations; and
- 10 ~~(9)~~ Adjustment of contributions to nearest ten cents.
- 11 ~~(b)~~ The Commission may request carriers to furnish
12 such reasonable reports as the Commission determines to be
13 necessary to enable it to carry out its functions under this
14 Act. The carriers shall furnish such reports when requested
15 and permit the Commission and representatives of the Gen-
16 eral Accounting Office to examine such records of the car-
17 riers as may be necessary to carry out the purposes of this
18 Act.
- 19 ~~(c)~~ Each agency of the United States or the District
20 of Columbia which administers a retirement system for
21 annuitants shall keep such records, make such certifications,
22 and furnish the Commission with such information and
23 reports as may be necessary to enable the Commission to
24 carry out its functions under this Act.
- 25 ~~(d)~~ There are hereby authorized to be expended from

1 Employees' Life Insurance Fund, without regard to limita-
 2 tions on expenditures from that Fund, for fiscal years 1960,
 3 1961, and 1962, such sums as may be necessary to pay ad-
 4 ministrative expenses incurred by the Commission in carry-
 5 ing out the health benefit provisions of this Act. Reimburse-
 6 ments to the Employees' Life Insurance Fund for sums so
 7 expended, together with interest at a rate to be determined
 8 by the Secretary of the Treasury, shall be made from the
 9 Retired Employees' Health Benefits Fund which is hereby
 10 made available for this purpose.

11 SEC. 8. The Commission shall transmit to the Congress
 12 annually a report concerning the operation of this Act.

13 EFFECTIVE DATE

14 SEC. 9. The health benefits program provided for by
 15 section 3 of this Act shall take effect January 1, 1961. The
 16 contributions provided for by section 5 of this Act shall take
 17 effect on December 1, 1960, with respect to annuity or com-
 18 pensation accruing for periods beginning on and after that
 19 date.

20 *That this Act may be cited as the "Retired Federal Em-*
 21 *ployees Health Benefits Act".*

22 DEFINITIONS

23 SEC. 2. *As used in this Act—*

24 (1) The terms "employee", "Government", "member
 25 of family", and "Commission" have the same meanings,

1 *when used in this Act as such terms have when used in the*
2 *Federal Employees Health Benefits Act of 1959.*

3 (2) *“Health benefits plan” means an insurance policy*
4 *or contract, medical or hospital service arrangement, mem-*
5 *bership or subscription contract, or similar agreement pro-*
6 *vided by a carrier for a stated periodic premium or subscrip-*
7 *tion charge for the purpose of providing, paying for, or re-*
8 *imbursing expenses for hospital care, surgical or medical*
9 *diagnosis, care, and treatment, drugs and medicines, remedial*
10 *care, or other medical supplies and services, or any com-*
11 *bination of these.*

12 (3) *“Retired employee” means any person who would*
13 *be an annuitant as that term is defined in the Federal Em-*
14 *ployees Health Benefits Act of 1959 if the contribution and*
15 *enrollment provisions of that Act had been in effect on the*
16 *date the person became an annuitant, but does not include*
17 *any person who was a noncitizen whose permanent-duty*
18 *station was outside a State of the United States or the District*
19 *of Columbia on the day before he became an annuitant.*

20 (4) *“Carrier” means a voluntary association, corpora-*
21 *tion, partnership, or other nongovernmental organization*
22 *which lawfully offers a health benefits plan.*

1 GOVERNMENT-WIDE PLAN

2 SEC. 3. (a) The Commission shall, without regard to
3 section 3709 of the Revised Statutes or any other provision
4 of law requiring competitive bidding, enter into a contract
5 with a qualified carrier for one uniform Government-wide
6 health benefits plan for retired employees. Such contract
7 shall be for a period of at least one year and shall be auto-
8 matically renewable in the absence of notice of termination
9 by either party. The carrier shall, if the Commission so
10 directs, cede reinsurance to such other companies which regu-
11 larly issue group health insurance as may elect to participate
12 or shall allocate its rights and obligations under the contract
13 among such of its affiliates as may elect to participate in
14 accordance with an equitable formula to be determined by
15 the carrier and approved by the Commission. The contract-
16 ing carrier, if an insurance company, shall be licensed to
17 issue group health insurance in all the States of the United
18 States and the District of Columbia and shall, in the most
19 recent year for which data are available, have made at least
20 1 per centum of all group health insurance benefit payments
21 in the United States.

1 (b) The contract under this Act shall contain a detailed
2 statement of the benefits offered and shall include such
3 maximums, limitations, exclusions, and other definitions of
4 benefits as the Commission may deem necessary or desirable.
5 No person may be excluded because of race, sex, health
6 status, or age, and the contract may not deny or limit bene-
7 fits because of any preexisting condition.

8 (c) The rates charged for the health benefits plan de-
9 scribed in subsection (a) of this section shall reasonably
10 and equitably reflect the cost of the benefits provided. Rates
11 determined for the first term shall be adjusted for subse-
12 quent terms on the basis of experience. The Commission
13 shall prescribe the extent to which reserves due to favorable
14 experience may be retained by the carrier. Such reserves
15 shall in any case be retained for the benefit of retired em-
16 ployees enrolled thereunder, and members of their families.

CONTRIBUTIONS

17
18 SEC. 4. (a) If a retired employee enrolls in the health
19 benefits plan provided for by section 3 of this Act, the Gov-
20 ernment shall contribute toward his subscription charge such
21 amounts as the Commission by regulation may from time
22 to time prescribe. The amount so prescribed, if the em-
23 ployee is enrolled for self only, shall not be less than \$3.00
24 monthly or more than \$4.00 monthly. The amount to be
25 prescribed for a retired employee enrolled for self and family

1 shall be twice the contribution for one enrolled for self only.
 2 A retired employee may not receive a Government contribu-
 3 tion for more than one plan, nor may a retired employee
 4 receive a Government contribution if he is covered under
 5 the enrollment of another employee or retired employee who is
 6 receiving a Government contribution toward his enrollment.

7 (b) In addition, the Government shall contribute an
 8 amount, as prescribed by the Commission, up to 2 per centum
 9 of each contribution authorized by subsection (a) of this
 10 section to the Retired Employees Health Benefits Fund, for
 11 payment of expenses incurred by the Commission in adminis-
 12 tering this Act.

13 WITHHOLDING

14 SEC. 5. There shall be withheld from the annuity or
 15 compensation of each retired employee enrolled in the health
 16 benefits plan provided for under section 3 of this Act so much
 17 as is necessary, after deducting the contribution of the Gov-
 18 ernment, to pay the total charge for his enrollment.

19 OTHER HEALTH BENEFITS PLANS

20 SEC. 6. (a) Subject to subsection (b) of this section, a
 21 retired employee who elects to obtain a health benefits plan,
 22 or to retain an existing health benefits plan, other than the
 23 plan provided for under section 3 of this Act, directly with
 24 a carrier, shall be paid a Government contribution to the
 25 cost of his health benefits plan which shall be equal in

1 amount to the appropriate Government contribution estab-
2 lished by the Commission pursuant to section 4(a) of this
3 Act, but may not exceed the cost to him of the health benefits
4 plan in which he is enrolled or which he retains or, if the
5 plan combines health benefits with other benefits, shall not
6 exceed the cost to him of the premium fixed by the carrier
7 for the health benefits portion of the plan in which he is
8 enrolled or which he retains. A retired employee may not
9 receive a Government contribution for more than one plan,
10 nor may a retired employee receive a Government contribu-
11 tion if he is covered under the enrollment of another em-
12 ployee or retired employee who is receiving a Government
13 contribution toward his enrollment.

14 (b) A retired employee who enrolls in a plan shall be
15 entitled to the Government contribution provided by this
16 section only if the carrier of the plan (1) has been providing
17 health benefits for at least one year and (2), if an insurance
18 company, is licensed to issue individual or group health
19 insurance in all the States of the United States and the
20 District of Columbia. Clause (2) of the immediately pre-
21 ceding sentence shall not apply to enrollment in a plan spon-
22 sored by an association or other organization more than 50
23 per centum of the members of which are Federal employees
24 or former Federal employees.

25 (c) In addition, the Government shall contribute an

1 amount, as prescribed by the Commission, up to 2 per centum
2 of each contribution authorized by subsection (a) of this
3 section to the Retired Employees Health Benefits Fund, for
4 payment of expenses incurred by the Commission in admin-
5 istering this Act.

6 ELECTIONS

7 SEC. 7. Each retired employee shall, within such time
8 after March 1, 1961, as the Commission shall prescribe,
9 notify the Commission of his election (1) to enroll in the
10 plan provided under section 3 of this Act, (2) to enroll
11 in or retain another health benefits plan and receive Gov-
12 ernment contributions under section 6 of this Act, or (3)
13 not to participate in the program offered under this Act.
14 If the retired employee elects to enroll under clause (2)
15 of this section, his election shall be accompanied by a cer-
16 tificate of the carrier certifying the fact of his enrollment
17 and the cost to him of the health benefits plan, or of the health
18 benefits portion of the plan.

19 RETIRED EMPLOYEES HEALTH BENEFITS FUND

20 SEC. 8. (a) The withholdings of retired employees
21 under section 5 of this Act and the contributions of the
22 Government under sections 4 and 6 of this Act shall be
23 deposited in the Retired Employees Health Benefits Fund,
24 hereinafter referred to as the "Fund", which is hereby
25 created and which shall be administered by the Commission.

1 (b) *The Fund shall be available without fiscal year*
2 *limitation for all payments on account of the health bene-*
3 *fits plan negotiated under section 3 of this Act, for payment*
4 *of the Government's contribution provided for by section*
5 *6(a) of this Act to agencies of the Government which ad-*
6 *minister a retirement system for civilian employees of the*
7 *Government, and for payment of expenses, not to exceed*
8 *the Government's contributions authorized by sections 4(b)*
9 *and 6(b) of this Act, incurred by the Commission in ad-*
10 *ministering this Act.*

11 (c) *Any dividends or other refunds made by the carrier*
12 *under section 3 of this Act shall be set aside in the Fund as*
13 *a contingency reserve for the Government-wide plan. Such*
14 *contingency reserve may be used to defray increases in future*
15 *rates of or to reduce the retired employees' and the Govern-*
16 *ment's contributions to, or to increase the health benefits*
17 *provided by that plan, as the Commission may from time to*
18 *time determine.*

19 (d) *The Secretary of the Treasury is authorized to*
20 *invest and reinvest any of the moneys in the Fund in interest-*
21 *bearing obligations of the United States for the purposes of*
22 *the Fund. The interest on and the proceeds from the sale*
23 *of any such obligations shall become a part of the Fund.*

ADMINISTRATION

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SEC. 9. (a) The Commission shall administer this Act and prescribe such regulations as are necessary to give full effect to the purposes of this Act.

(b) Such regulations shall fix minimum standards to be met by the carrier and the plan under section 3 of this Act, including extensions of coverage to be provided. The Commission may request all carriers to furnish such reasonable reports as the Commission determines to be necessary to enable it to carry out its functions under this Act. The carrier shall furnish such reports when requested and permit the Commission and representatives of the General Accounting Office to examine such records of the carriers as may be necessary to carry out the purposes of this Act.

(c) The Commission's regulations may include, but are not limited to, the following:

- (1) exclusions of retired employees from coverage;*
- (2) beginning and ending dates of coverage, and conditions of eligibility;*
- (3) methods of filing the elections required by section 7 of this Act and other information;*
- (4) methods of making contributions authorized by*

1 *section 6, and withholdings required by section 5 of this*
2 *Act;*

3 *(5) changes in enrollment;*

4 *(6) questions of dependency;*

5 *(7) certificates and other information to be fur-*
6 *nished to retired employees;*

7 *(8) contributions and withholding during periods*
8 *of suspension of annuity payments and in other extraor-*
9 *dinary situations;*

10 *(9) when, and under what conditions, an election*
11 *not to participate in the programs offered under this*
12 *Act may be withdrawn; and*

13 *(10) under what conditions and to what extent the*
14 *cost of a plan shall be considered a cost attributable to*
15 *the retired employee.*

16 *(d) Each agency of the United States or the District of*
17 *Columbia which administers a retirement system for annui-*
18 *tants shall keep such records, make such certifications, and*
19 *furnish the Commission with such information and reports*
20 *as may be necessary to enable the Commission to carry out*
21 *its functions under this Act.*

22 *(e) There are hereby authorized to be expended from*
23 *the Employees Life Insurance Fund, without regard to limi-*
24 *tations on expenditures from that Fund, for any fiscal years*

1 from the date of enactment through the fiscal year ending
2 June 30, 1962, inclusive, such sums as may be necessary to
3 pay administrative expenses incurred by the Commission in
4 carrying out the health benefits provisions of this Act. Re-
5 imbursements to the Employees Life Insurance Fund for
6 sums so expended, together with interest at a rate to be de-
7 termined by the Secretary of the Treasury, shall be made
8 from the Retired Employees Health Benefits Fund which is
9 hereby made available for this purpose.

10 *EXEMPTION OF CERTAIN EMPLOYEE ORGANIZATIONS*

11 *SEC. 10.* Any employee organization under this Act or
12 as defined in section 2(i) of the Federal Employees Health
13 Benefits Act of 1959 (73 Stat. 710; 5 U.S.C. 3003(3))
14 shall be exempt from the provisions of the Fire and Casualty
15 Act (54 Stat. 1063; D.C. Code 35-1301 and the following).

16 *APPROPRIATIONS*

17 *SEC. 11.* The amounts authorized by this Act to be con-
18 tributed by the Government shall be paid from annual ap-
19 propriations which are hereby authorized to be made for such
20 purpose.

21 *ANNUAL REPORT*

22 *SEC. 12.* The Commission shall transmit to the Congress
23 annually a report concerning the operation of this Act.

1

EFFECTIVE DATE

2 *SEC. 13. The health benefits program provided for by*
3 *this Act shall take effect July 1, 1961. The contributions*
4 *and withholdings provided for by this Act shall take effect*
5 *on June 1, 1961, with respect to annuity or compensation*
6 *accruing for periods beginning on and after that date.*

Passed the Senate May 5, 1960.

Attest:

FELTON M. JOHNSTON,

Secretary.

86TH CONGRESS
2D SESSION

S. 2575

[Report No. 1930]

AN ACT

To provide a health benefits program for certain retired employees of the Government.

MAY 6, 1960

Referred to the Committee on Post Office and Civil
Service

JUNE 21, 1960

Reported with an amendment, committed to the Committee of the Whole House on the State of the Union, and ordered to be printed

Digest of CONGRESSIONAL PROCEEDINGS

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF
BUDGET AND FINANCE

(For Department
Staff Only)

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For actions of Aug. 22, 1960
86th-2d, No. 139

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HIGHLIGHTS: Sen. Bennett defended Secretary's farm policies. Rep. Cooley introduced sugar bill. Rep. Hoeven and other Reps. submitted measures to establish payment-in-kind program for feed grains. Reps. Wolf and Johnson, Colo., submitted and Rep. Wolf discussed measure to establish U. N. food-for-peace program.

SENATE

2761

1. CONSERVATION PAYMENTS. The Judiciary Committee reported without amendment S. 2761 to validate certain payments to farmers for emergency conservation work in Oregon which the Comptroller General has held were not authorized by the Third Supplemental Appropriation Act of 1957, inasmuch as the conservation practices were performed prior to its enactment (S. Rept. 1862). p. 15743
2. ANIMAL IMPORTS. The Judiciary Committee reported without amendment H. R. 10598, to amend and clarify certain provisions of the Criminal Code so as to reduce the hazards arising from the importation of injurious wild animals, to curtail traffic in such species, and to define types of wild animals and methods of transportation to which the code applies (S. Rept. 1883). p. 15744
3. COPYRIGHTS. The Judiciary Committee reported with amendments H. R. 4059, to amend title 28 of the U. S. Code so as to protect copyrights from Government infringement by waiving the sovereign immunity of the U. S. for infringement of copyrights (S. Rept. 1877). p. 15744
4. FARM PROGRAM. Sen. Bennett defended the Secretary's farm policies against recent attacks, stating that "Secretary Benson developed a forward-looking, sound

program to bring sanity to the Department of Agriculture. This program was presented to Congress for its approval, but it was summarily rejected, not once but many times." He inserted excerpts from several newspaper editorials and a statement by the President to support his position, and also inserted a list of agricultural accomplishments from 1953 to 1960 and a speech by Don Paarlberg discussing the farm situation. pp. 15767-72

Sen. Humphrey inserted the speech of Sen. Kennedy to the 12-State Democratic conference, on Aug. 20, at Des Moines, Iowa, a summary of views and suggestions from farmer hearings during the conference, and excerpts from the 1960 Democratic platform and the platform plank on agriculture. pp. 15820-3

5. OLD-AGE ASSISTANCE. Continued debate on H. R. 12580, to provide Federal grants to States for medical care for aged individuals of low income. pp. 15756-65, 15767, 15773-4, 15785-819, 15823-41
6. BREAD PRICES. The Judiciary Committee approved a study by the Anti-trust and Monopoly Subcommittee, "Study of Administered Prices in the Bread Industry." p. D698
7. EXPORT CONTROL. Received from the Secretary of Commerce a quarterly report on export control. p. 15743

HOUSE

8. LIBRARY SERVICES. Passed under suspension of rules, by a division vote of 190 to 29, S. 2830, to amend the Library Services Act so as to extend the appropriation authorization for 5 years. A similar House bill, H. R. 12125, was tabled. (pp. 15865-81) The "Daily Digest" states that this bill will now be sent to the President (p. D698).
9. FOREIGN SERVICE. Passed under suspension of rules S. 2633, to amend the Foreign Service Act relating to Foreign Service staff officers salaries, etc., and to the Foreign Service retirement system (pp. 15881-91). The "Daily Digest" states that this bill was amended and returned to the Senate (p. D698).
10. PERSONNEL. Passed under suspension of rules S. 2575, to provide a health benefits program for certain retired employees of the Government. (pp. 15891-7) The "Daily Digest" states that this bill was amended and returned to the Senate (p. D698).
11. DATES AND WALNUTS. Passed under suspension of rules, by a division vote of 172-54, H. R. 12341, to amend the Agricultural Adjustment Act of 1933 and the Agricultural Marketing Agreement Act of 1937 so as to provide for the extension of the restrictions on imported commodities, imposed by such Acts, to imported shelled walnuts, dates with pits, dates with pits removed, and products made principally of dates. pp. 15901-5
12. GUAM. By a vote of 202 to 151 (2/3 in favor being necessary for passage under suspension of rules) rejected a motion to suspend the rules and pass H. R. 9866, to establish a Federal agricultural service to Guam. pp. 15905-8
13. PUBLIC WORKS APPROPRIATION BILL, 1961. Disagreed to Senate amendments to this bill, H. R. 12326. Conferees were appointed. Senate conferees have been appointed. p. 15843
14. STATE-JUSTICE APPROPRIATION BILL, 1961. Disagreed to Senate amendments to this bill, H. R. 11666. Conferees were appointed. Senate conferees have been appointed. p. 15843

Mr. FULTON. Mr. Speaker, I yield such time as she may consume to the gentlewoman from Ohio [Mrs. BOLTON].

Mrs. BOLTON. Mr. Speaker, we have tried exceedingly hard in the Committee on Foreign Affairs and particularly in the subcommittee having to do with matters concerning the personnel of the Foreign Service, to bring to you a bill which is a just bill even though we should have liked to have included other items.

We feel strongly that there is a very real need for the changes this bill brings to you. So, Mr. Speaker, it is my earnest hope that recognition of this kind may be given to the Foreign Service officers and staff. They have served us well, and they will continue so to do. This is a moment in history when demands are being made upon them daily that demand training, knowledge, and ever increasing experience topped by a deep loyalty and courage. We feel that this bill may do much to encourage them, to give them the certainty that we here on the Hill know that things are not always easy for them and that we want them to have definite recognition from us.

I trust that this bill will be passed, and as the gentleman from Michigan so well said, that it will be passed without a dissenting vote.

The SPEAKER. The question is, Will the House suspend the rules and pass the bill S. 2633, with an amendment?

The question was taken; and (two-thirds having voted in favor thereof) the rules were suspended and the bill was passed.

Mr. FULTON. Mr. Speaker, I heard no "noes" on the vote. Can it be entered on the RECORD that the bill was passed by unanimous consent?

The SPEAKER. That is not a parliamentary question.

BILLS FROM COMMITTEE ON WAYS AND MEANS TO BE CALLED UP UNDER UNANIMOUS CONSENT

(Mr. McCORMACK asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. McCORMACK. Mr. Speaker, I want to announce to the House that the Committee on Ways and Means have reported out 12 bills that we shall consider later on this week or sometime later in this session; I should say probably this week. The chairman of the committee will ask unanimous consent for the consideration of these bills, a list of which I make part of the RECORD at this time:

H.R. 11266, prepaid dues income of certain membership organizations.

H.R. 6292, authorization of acceptance by the Government of gifts to reduce the public debt.

H.R. 9000, provision that only one retail liquor dealer tax need be paid by any State and political subdivision operating liquor stores.

H.R. 10960, determination of retail price for purposes of excise tax on cigars.

H.R. 6066, limitation on deduction in case of contributions by individuals to certain charitable organizations.

H.R. 3176, imposition of tire tax on tires delivered to manufacturer's retail outlet.

H.R. 12536, exclusion of local advertising charges from manufacturer's sales price.

H.R. 11681, amendment of section 902(b) of Internal Revenue Code.

H.R. 12329, gift and estate tax treatment of relinquishment of certain powers.

H.R. 12036, dividends-received deduction for dividends paid by a foreign corporation from earnings and profits accumulated by a domestic corporation.

H.R. 3392, certification of quotas on certain Philippine tobacco.

H.R. 11584, import taxes on lead and zinc.

RETIRED FEDERAL EMPLOYEES HEALTH BENEFITS BILL

Mr. DAVIS of Georgia. Mr. Speaker, I move to suspend the rules and pass the bill (S. 2575) to provide a health benefits program for certain retired employees of the Government, as amended.

The Clerk read as follows:

"Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Retired Federal Employees Health Benefits Act".

DEFINITIONS

SEC. 2. As used in this Act—

(1) The terms "employee", "Government", "member of family", and "Commission" have the same meanings, when used in this Act as such terms have when used in the Federal Employees Health Benefits Act of 1959.

(2) "Health benefits plan" means an insurance policy or contract, medical or hospital service arrangement, membership or subscription contract, or similar agreement provided by a carrier for a stated periodic premium or subscription charge for the purpose of providing, paying for, or reimbursing expenses for hospital care, surgical or medical diagnosis, care, and treatment, drugs and medicines, remedial care, or other medical supplies and services, or any combination of these.

(3) "Retired employee" means any person who would be an annuitant as that term is defined in the Federal Employees Health Benefits Act of 1959 if the contribution and enrollment provisions of that Act had been in effect on the date the person became an annuitant, but does not include any person who was a noncitizen whose permanent-duty station was outside a State of the United States or the District of Columbia on the day before he became an annuitant.

(4) "Carrier" means a voluntary association, corporation, partnership, or other non-governmental organization which lawfully offers a health benefits plan.

GOVERNMENT-WIDE PLAN

SEC. 3. (a) The Commission shall, without regard to section 3709 of the Revised Statutes or any other provision of law requiring competitive bidding, enter into a contract with a qualified carrier for one uniform Government-wide health benefits plan for retired employees. Such contract shall be for a period of at least one year and shall be automatically renewable in the absence of notice of termination by either party. The carrier shall, if the Commission so directs, cede reinsurance to such other companies which regularly issue group health insurance as may elect to participate or shall allocate its rights and obligations under the contract among such of its affiliates as may elect to

participate in accordance with an equitable formula to be determined by the carrier and approved by the Commission. The contracting carrier, if an insurance company, shall be licensed to issue group health insurance in all the States of the United States and the District of Columbia and shall, in the most recent year for which data are available, have made at least 1 per centum of all group health insurance benefit payments in the United States.

(b) The contract under this Act shall contain a detailed statement of the benefits offered and shall include such maximums, limitations, exclusions, and other definitions of benefits as the Commission may deem necessary or desirable. No person may be excluded because of race, sex, health status, or age, and the contract may not deny or limit benefits because of any preexisting condition.

(c) The rates charged for the health benefits plan described in subsection (a) of this section shall reasonably and equitably reflect the cost of the benefits provided. Rates determined for the first term shall be adjusted for subsequent terms on the basis of experience. The Commission shall prescribe the extent to which reserves due to favorable experience may be retained by the carrier. Such reserves shall in any case be retained for the benefit of retired employees enrolled thereunder, and members of their families.

CONTRIBUTIONS

SEC. 4. (a) If a retired employee enrolls in the health benefits plan provided for by section 3 of this Act, the Government shall contribute toward his subscription charge such amounts as the Commission by regulation may from time to time prescribe. The amount so prescribed, if the employee is enrolled for self only, shall not be less than \$3.00 monthly or more than \$4.00 monthly. The amount to be prescribed for a retired employee enrolled for self and family shall be twice the contribution for one enrolled for self only. A retired employee may not receive a Government contribution for more than one plan, nor may a retired employee receive a Government contribution if he is covered under the enrollment of another employee or retired employee who is receiving a Government contribution toward his enrollment.

(b) In addition the Government shall contribute an amount, as prescribed by the Commission, up to 2 per centum of each contribution authorized by subsection (a) of this section of the Retired Employees Health Benefits Fund, for payment of expenses incurred by the Commission in administering this Act.

WITHHOLDING

SEC. 5. There shall be withheld from the annuity or compensation of each retired employee enrolled in the health benefits plan provided for under section 3 of this Act so much as is necessary, after deducting the contribution of the Government, to pay the total charge for his enrollment.

OTHER HEALTH BENEFITS PLANS

SEC. 6. (a) Subject to subsection (b) of this section a retired employee who elects to obtain a health benefits plan, or to retain an existing health benefits plan, other than the plan provided for under section 3 of this Act, directly with a carrier, shall be paid a Government contribution to the cost of his health benefits plan which shall be equal in amount to the appropriate Government contribution established by the Commission pursuant to section 4(a) of this Act, but may not exceed the cost to him of the health benefits plan in which he is enrolled or which he retains or, if the plan combines health benefits with other benefits, shall not exceed the cost to him of the premium fixed by the carrier for the health benefits portion of the plan in which he is enrolled or which he retains. A retired employee may not receive a Government contribution for more than

one plan, nor may a retired employee receive a Government contribution if he is covered under the enrollment of another employee or retired employee who is receiving a Government contribution toward his enrollment.

(b) A retired employee who enrolls in a plan shall be entitled to the Government contribution provided by this section only if the carrier of the plan (1) has been providing health benefits for at least one year and (2), if an insurance company, is licensed to issue individual or group health insurance in all the States of the United States and the District of Columbia. Clause (2) of the immediately preceding sentence shall not apply to enrollment in a plan sponsored by an association or other organization more than 50 per centum of the members of which are Federal employees or former Federal employees.

(c) In addition, the Government shall contribute an amount, as prescribed by the Commission, up to 2 per centum of each contribution authorized by subsection (a) of this section to the Retired Employees Health Benefits Fund, for payment of expenses incurred by the Commission in administering this Act.

ELECTIONS

SEC. 7. Each retired employee shall, within such time after March 1, 1961, as the Commission shall prescribe, notify the Commission of his election (1) to enroll in the plan provided under section 3 of this Act, (2) to enroll in or retain another health benefits plan and receive Government contributions under section 6 of this Act, or (3) not to participate in the program offered under this Act. If the retired employee elects to enroll under clause (2) of this section, his election shall be accompanied by a certificate of the carrier certifying the fact of his enrollment and the cost to him of the health benefits plan, or of the health benefits portion of the plan.

RETIRED EMPLOYEES HEALTH BENEFITS FUND

SEC. 8. (a) The withholdings of retired employees under section 5 of this Act and the contributions of the Government under sections 4 and 6 of this Act shall be deposited in the Retired Employees Health Benefits Fund, hereinafter referred to as the "Fund", which is hereby created and which shall be administered by the Commission.

(b) The Fund shall be available without fiscal year limitation for all payments on account of the health benefits plan negotiated under section 3 of this Act, for payment of the Government's contribution provided for by section 6(a) of this Act to agencies of the Government which administer a retirement system for civilian employees of the Government, and for payment of expenses, not to exceed the Government's contributions authorized by sections 4(b) and 6(b) of this Act, incurred by the Commission in administering this Act.

(c) Any dividends or other refunds made by the carrier under section 3 of this Act shall be set aside in the Fund as a contingency reserve for the Government-wide plan. Such contingency reserve may be used to defray increases in future rates of or to reduce the retired employees' and the Government's contributions to, or to increase the health benefits provided by that plan, as the Commission may from time to time determine.

(d) The Secretary of the Treasury is authorized to invest and reinvest any of the moneys in the Fund in interest-bearing obligations of the United States for the purposes of the Fund. The interest on and the proceeds from the sale of any such obligations shall become a part of the Fund.

ADMINISTRATION

SEC. 9. (a) The Commission shall administer this Act and prescribe such regulations as are necessary to give full effect to the purposes of this Act.

(b) Such regulations shall fix minimum standards to be met by the carrier and the plan under section 3 of this Act, including extensions of coverage to be provided. The Commission may request all carriers to furnish such reasonable reports as the Commission determines to be necessary to enable it to carry out its functions under this Act. The carrier shall furnish such reports when requested and permit the Commission and representatives of the General Accounting Office to examine such records of the carriers as may be necessary to carry out the purposes of this Act.

(c) The Commission's regulations may include, but are not limited to, the following:

(1) exclusions of retired employees from coverage;

(2) beginning and ending dates of coverage, and conditions of eligibility;

(3) methods of filing the elections required by section 7 of this Act and other information;

(4) methods of making contributions authorized by section 6, and withholdings required by section 5 of this Act;

(5) changes in enrollment;

(6) questions of dependency;

(7) certificates and other information to be furnished to retired employees;

(8) contributions and withholding during periods of suspension of annuity payments and in other extraordinary situations;

(9) when, and under what conditions, an election not to participate in the programs offered under this Act may be withdrawn; and

(10) under what conditions and to what extent the cost of a plan shall be considered a cost attributable to the retired employee.

(d) Each agency of the United States or the District of Columbia which administers a retirement system for annuitants shall keep such records, make such certifications, and furnish the Commission with such information and reports as may be necessary to enable the Commission to carry out its functions under this Act.

(e) There are hereby authorized to be expended from the Employees Life Insurance Fund, without regard to limitations on expenditures from that Fund, for any fiscal years from the date of enactment through the fiscal year ending June 30, 1962, inclusive, such sums as may be necessary to pay administrative expenses incurred by the Commission in carrying out the health benefits provisions of this Act. Reimbursements to the Employees Life Insurance Fund for sums so expended, together with interest at a rate to be determined by the Secretary of the Treasury, shall be made from the Retired Employees Health Benefits Fund which is hereby made available for this purpose.

EXEMPTION OF CERTAIN EMPLOYEE ORGANIZATIONS

SEC. 10. Any employee organization under this Act or as defined in section 2(1) of the Federal Employees Health Benefits Act of 1959 (73 Stat. 710; 5 U.S.C. 3003(3)) shall be exempt from the provisions of the Fire and Casualty Act (54 Stat. 1063; D.C. Code 35-1301 and the following).

APPROPRIATIONS

SEC. 11. The amounts authorized by this Act to be contributed by the Government shall be paid from annual appropriations which are hereby authorized to be made for such purpose.

ANNUAL REPORT

SEC. 12. The Commission shall transmit to the Congress annually a report concerning the operation of this Act.

EFFECTIVE DATE

SEC. 13. The health benefits program provided for by this Act shall take effect July 1, 1961. The contributions and withhold-

ings provided for by this Act shall take effect on June 1, 1961, with respect to annuity or compensation accruing for periods beginning on and after that date.

The SPEAKER. Is a second demanded?

Mr. REES of Kansas. Mr. Speaker, I demand a second.

The SPEAKER. Without objection, a second will be considered as ordered.

There was no objection.

Mr. DAVIS of Georgia. Mr. Speaker, I yield myself 5 minutes.

Mr. Speaker, this legislation will provide a health benefits program for 415,000 retired Government employees and survivor annuitants who are not eligible to enroll under the Federal Employees Health Benefits Act of 1959—Public Law 86-382—because they became annuitants before that act took effect in July of this year.

The committee amendment to the Senate-passed bill substitutes the language of Congressman LESINSKI's bill, H.R. 12495. It represents a compromise on which, in the judgment of the committee, there can be general agreement in the interest of assuring that there will be a health benefits program for former Government employees and their survivors who were on the retirement rolls prior to July 1, 1960.

The primary requirement for eligibility is that the individual must have been retired on an immediate annuity with 12 or more years of service or for disability. Survivor annuitants will be eligible if the persons from whom their annuities derive would have been eligible in their own right had they lived.

The committee amendment requires the Civil Service Commission to contract with a qualified carrier for a single, uniform, Government-wide health plan for retired employees and survivor annuitants. The carrier will reinsure with other qualified carriers if the Commission so directs. The committee amendment contains substantially the same conditions now stated in the Federal Employees Health Benefits Act of 1959 to insure that the contract represents the best possible bargain for the Government and for the beneficiaries.

The Government will contribute in an amount—fixed by the Civil Service Commission—which is not less than \$3 nor more than \$4 monthly for a person who enrolls for self alone. That amount will be doubled for a person who enrolls for self and family. This double contribution for family enrollment is particularly appropriate, since most retirees' families consist of two persons.

There would be withheld from the annuity or compensation of each enrollee the amount required to pay the premium for such enrollee after deducting the Government contribution.

An alternative plan is provided which will allow retirees to select a qualified commercial health plan other than the single Government-sponsored plan if desired. An eligible person would have the option of retaining an existing health plan or of enrolling in another plan. The Government contribution in this case will be paid directly to the individual as an increase in his or her annuity check.

This is a voluntary plan and the retiree may elect to participate under this legislation or not, as he desires. If he elects to participate, his notice to the Commission shall specify his preference as to type of health plan desired—that is, whether he prefers to enroll in the single Government-sponsored plan under section 3 or to retain or obtain a different plan as provided in section 6. Any selection of such a different plan must be accompanied by a certification of the carrier of the fact of his enrollment and of the premium cost.

This legislation corrects an inequitable situation that has arisen under the Federal Employees Health Benefits Act of 1959. Participation of a major organization of Federal employees under that act—which was intended to be permitted when the act was approved—has been denied to the organization because of a technicality in the provisions of the Fire and Casualty Act—54 Stat. 1063; D.C. Code 35-1301 and the following. Section 10 will permit the intended participation by this organization in the Federal Employees Health Benefits Act of 1959 by exempting the organization from the technical provision of the Fire and Casualty Act.

This legislation will take effect July 1, 1961. This leadtime in the effective date is essential to permit negotiation of a contract for the Government-sponsored plan which is in the interest of the Government and the retirees, to advise the retirees of their rights and of the necessary procedures, and to carry out all of the administrative responsibilities and duties imposed on the Civil Service Commission.

I believe this represents the best possible solution of the pressing health and medical problems facing our retired employees and survivor annuitants and hope that it will be approved.

(Mr. DAVIS of Georgia asked and was given permission to revise and extend his remarks.)

Mr. REES of Kansas. Mr. Speaker, I yield myself 5 minutes.

Mr. Speaker, this legislation, which has the unanimous approval of the Post Office and Civil Service Committee, will provide a health benefits program for the 415,000 Government employees who retired before the Federal Employees Health Benefits Act of 1959 became effective in July 1960. It will not provide any benefit for any employee or official presently employed or serving in office.

This legislation offers two methods of coverage. It will permit the Civil Service Commission to establish a single Government-wide health plan, or permit an annuitant to elect to continue the plan he now has or to obtain a commercial plan. Enrollment in any of the plans is strictly voluntary.

Another important factor dictates prompt approval of this legislation. Many of the Members will recall the serious situation which arose after enactment of the Federal Employees Group Life Insurance Act of 1954, when many employees and retirees faced loss of their life insurance because groups in which they were insured were forced out of business due to creation of the Govern-

ment program. A similar situation now faces many thousands of retired Federal employees and survivors who have attempted to provide their own medical and health protection through individual or group health plans.

The Federal Employees Health Benefits Act of 1959 will cause the immediate or early collapse of a hundred or more health and medical benefit groups whose policies represent the only health protection for these retirees and survivors. When all of the active employees in such groups enroll under the Government program, the existing groups will expire through lack of new memberships. Only the active employees will be protected. The retirees and survivors on the annuity rolls will have to seek individual protection at prohibitive cost because of their advanced age group.

I think it is generally acknowledged that the promotion of positive and long-range health programs for people in older age groups will benefit everyone by increasing the capacities of these older people to live active and meaningful lives in their later years. The sharply rising costs of medical and hospital care in recent years has been felt by people of all ages. The impact of these rising costs has been particularly harsh and unfortunate with respect to those who have completed active service and earned a few years of life in retirement. Their medical and hospital care needs are far greater than similar needs for younger people. As a group they require nearly three times as much general hospital care, on the average, as is needed by active workers as a group. The retirees also have special need for long-term or extended medical and hospital care.

Unfortunately, to meet their extraordinary medical and hospital expenses retired workers and surviving widows as a group may look only to incomes which are considerably lower, on the average, than the incomes of active workers. In many cases the retirees' incomes are either fixed or are declining in amount and hardly suffice to maintain a reasonable standard of living even without the misfortune of illness or injury to which they are so susceptible. By approving this legislation, the Government of the United States will be taking an important step in assisting its former public servants to achieve full and meaningful lives during retirement.

It is for these reasons that I voted for S. 2575, as amended by the Post Office and Civil Service Committee, and support this legislation today. It is my earnest belief that this legislation is necessary to prevent real hardship for a great many retired workers and their widows. I hope and believe that the legislation will be approved.

Mr. REES of Kansas. Mr. Speaker, I yield 3 minutes to the gentleman from Michigan [Mr. JOHANSEN].

Mr. JOHANSEN. Mr. Speaker, I rise in support of this legislation.

I would like to stress the point that the distinguished ranking minority member of the committee emphasized, that this applies to 415,000 persons and dependents who retired from the service prior to July 1 of this year. This is a

genuine example of temporary legislation, because it deals with a limited group and the category that is covered will ultimately pass from the picture, and this particular program will terminate with that event.

I support this legislation because on this matter as with the health program for Federal employees enacted by the Congress last year, the Government and the Congress are acting in the role of employer, in an employer and employee relationship. I hope that the example which is being set by the Federal Government in this matter will stimulate similar activity in the field of private enterprise, and if there can be more done in that field there will be less demand for massive intervention in these areas of medical care for the aged, in which the Government does not have the employer-employee relationship.

I urge the enactment of this bill, which was voted out unanimously by the House Committee on Post Office and Civil Service.

I yield back the balance of my time.

Mr. REES of Kansas. Mr. Speaker, I yield 2 minutes to the gentleman from Pennsylvania [Mr. CORBETT].

Mr. CORBETT. Mr. Speaker, like the others who have preceded me, I rise in support of this meritorious legislation. The parliamentary situation in this session is such that this is the best bill that can be secured at this time. If we are going to get this program under way by next July 1, it becomes essential that this plan be adopted today.

We recognize that for the 415,000 retirees who will benefit from this act, that we are doing in large measure what many private industries have done for their employees, and we hope others will do the same.

Very definitely the retirees are the victims of the inflation which has occurred, and certainly for this Congress to go along and recognize the medical care needs of those retired employees is a right and proper thing to do.

Mr. SANTANGELO. Mr. Speaker, will the gentleman yield?

Mr. CORBETT. I yield.

Mr. SANTANGELO. I am supporting this bill, but I would like to ask is it true that the Bureau of the Budget opposed this bill and, notwithstanding the opposition of the Bureau of the Budget, the full committee recommended that it be passed?

Mr. CORBETT. The gentleman is right in the latter statement, that the committee recommended the bill unanimously, but I was under the opinion that the Civil Service Commission had approved of the bill with the Senate amendment. I cannot say whether the Bureau of the Budget has approved it or not.

Mr. SANTANGELO. On page 11 of the report is a letter from the executive officer of the Bureau of the Budget in which he indicates the administration opposition to the bill. Is that a fact?

Mr. CORBETT. I am now informed that the Budget Bureau expressed opposition to this measure primarily because it was not a budget item in the original message. However, I will say to

the gentleman that he and others, including myself, have often acted on their own responsibility and not yielded to the Bureau of the Budget.

The SPEAKER. The time of the gentleman from Pennsylvania has expired.

Mr. DAVIS of Georgia. Mr. Speaker, I yield such time as he may desire to the gentleman from Oregon [Mr. PORTER].

Mr. PORTER. Mr. Speaker, I support this legislation. It seems fair and necessary.

I ask unanimous consent to insert at this point a statement by the ranking Democratic member of the Committee on the Post Office and Civil Service, the gentleman from Louisiana [Mr. MORRISON].

The SPEAKER. Is there objection to the request of the gentleman from Oregon?

There was no objection.

The statement referred to follows:

STATEMENT BY THE HONORABLE JAMES H. MORRISON, DEMOCRAT, OF LOUISIANA, ON S. 2575, AUGUST 1960

Last year the retired employees were very greatly disappointed that they were not included in the Federal Employees Health Benefits Act of 1959. They felt that they were discriminated against and, I think, rightly so. This is particularly true with reference to employees who were going to retire between the time that act was enacted on September 28, 1959, and July 1960, when the health plans went into effect. Any employee who retired before July 1960 is not covered by the 1959 act.

The committee was advised last year that it was actually unsound to attempt to include such an older group of retired employees in the bill with the employees who are covered. This bill establishes a separate fund, the retired employees health benefits fund. The fund will be used to pay the expenses of a program for persons of this older age group, which will provide health benefits at the best possible bargain obtainable.

The program is designed to give persons who retired prior to July 1, 1960, a somewhat similar program on a somewhat comparable basis, as will be enjoyed under the 1959 act by employees who retire after July 1, 1960. The conditions of eligibility are the same. The former employee must have retired on an immediate annuity with 12 or more years of service, or due to disability.

The Civil Service Commission has estimated the cost of the committee amendment for the first year as between \$15 million and \$25 million, which will decline rapidly in future years as the number of retirees in this advanced age group diminishes. The contribution to the cost of the program of the retirees who choose the Government-sponsored plan will be withheld from their monthly retirement check. The retiree who chooses to retain an existing commercial health plan, or to procure a new commercial plan, will receive the Government contribution by means of an increase in his annuity check. The Government contribution will be by annual appropriation to the fund.

I think this is a very beneficial bill and it will help the majority of Federal employees who retired prior to July 1, 1960. I urge the approval of the reported bill so that our retired Government employees may be assured of the establishment of a health program at the earliest practicable time.

Mr. DAVIS of Georgia. Mr. Speaker, I yield 5 minutes to the gentleman from Michigan [Mr. LESINSKI].

(Mr. LESINSKI asked and was given permission to revise and extend his remarks.)

Mr. LESINSKI. Mr. Speaker, I have been deeply interested for quite some time in legislation to provide a health benefits program for Federal employees and introduced legislation for this purpose as early as the beginning of the 85th Congress.

The Federal Employees Health Benefits Act of 1959 provides a health benefits program for employees and persons who retire after the effective date of the act in July 1960. But employees who retired prior to July 1960, were not included because we were told last year that it would cost 2 to 3 times more to give the retirees the same schedule of benefits planned under the 1959 act.

S. 2575 as passed by the Senate would provide a health benefits program for retirees and survivor annuitants not covered by the 1959 act. However, that bill was strongly opposed by the administration and certainly faced a possible Presidential veto. The program proposed was too complex and offered too many different choices of programs by directing the Commission to contract with all of the 38 carriers approved under the 1959 act and such additional carriers as may be approved by the Commission.

After passage of the Senate bill I immediately conferred with representatives of the Civil Service Commission and retired employee groups. In my opinion, the best possible compromise was reached and I introduced a new bill, H.R. 12495, embodying the compromise. The amendment recommended by the committee to S. 2575 contains substantially the same language as contained in my bill, H.R. 12495.

This legislation will direct the Commission to contract for a single plan as contrasted with many plans and provides for only two types of enrollment—for self only or for self and family—as compared with the five types of enrollment under the Senate passed bill. Retired employees who prefer can obtain private commercial plans or continue plans they now may have and they will be entitled to a Government contribution toward the cost of the program.

In my judgment, this legislation will not be vetoed because of the simplicity of the program now offered and because it is becoming more and more apparent that the health and medical groups which are the only source of protection for the majority of the retirees will soon collapse for lack of new membership since the active employees are enrolling under the Government program.

Mr. Speaker, I have every reason to believe that the Committee amendment offers a solution to the very complex and difficult problem of carrying out our obligation to help protect the health of the hundreds of thousands of men and women who devoted their productive working lives to our Government.

Both the total cost and the expense and difficulty of administration will be kept within very reasonable bounds. I urge the approval of the Committee amendment.

At this time, I would like to commend the gentleman from Georgia, the Honorable JAMES DAVIS, the chairman of the subcommittee, for his untiring efforts in holding hearings and getting the bill on

the House floor. His fairness in acting upon this legislation has made its passage here today possible.

Mr. EDMONDSON. Mr. Speaker, will the gentleman yield?

Mr. LESINSKI. I yield to the gentleman from Oklahoma.

Mr. EDMONDSON. Is my understanding correct that the National Association of Retired Civil Service Employees supports this bill enthusiastically?

Mr. LESINSKI. One hundred percent.

Mr. EDMONDSON. I am certainly very pleased to see the action of the committee in reporting the legislation. I have been a supporter of legislation along this line. I strongly urge favorable action by the House upon the bill.

Mr. FOLEY. Mr. Speaker, will the gentleman yield?

Mr. LESINSKI. I yield to the gentleman from Maryland.

Mr. FOLEY. As a member of the committee I rise in support of the bill S. 2575. I want to commend the leadership of the committee for bringing it to the floor. It remedies an inequity that exists at the present time and provides a very feasible and constructive health and welfare program for our retired civil service employees.

Mr. LESINSKI. I thank the gentleman for his support.

Mr. ROGERS of Florida. Mr. Speaker, will the gentleman yield?

Mr. LESINSKI. I yield to the gentleman from Florida.

Mr. ROGERS of Florida. Mr. Speaker, I rise in support of this legislation. During the recess I took occasion to talk to retired civil service employees in Florida. They pointed out their need and also their willingness to pay a portion of health insurance as provided in this legislation. I want to commend the committee for taking action at this time. I hope this bill can become law this session.

Mr. LANE. Mr. Speaker, will the gentleman yield?

Mr. LESINSKI. I yield to the gentleman from Massachusetts.

Mr. LANE. I, too, want to congratulate the gentleman from Michigan for his untiring work on this legislation and to be recorded in hearty support of this bill.

This legislation as has already been stated, is long overdue and well deserved.

As the gentleman from Florida [Mr. ROGERS] well stated, these retirees have been waiting most patiently for some action by Congress. I am glad the Committee on the Post Office and Civil Service has seen fit to take unanimous action on this legislation and I wish to congratulate the chairman of the subcommittee the gentleman from Georgia and his fine committee for their thought and study and report on this bill which merits the praise of the Members of Congress.

I know that the beneficiaries of this bill appreciate their sincere work.

Mr. LESINSKI. I thank the gentleman.

Mr. ALFORD. Mr. Speaker, will the gentleman yield?

Mr. LESINSKI. I yield to the gentleman from Arkansas.

Mr. ALFORD. I want to take this opportunity to compliment the gentleman and the committee for the work they have done on this legislation and to point out specifically that it preserves the voluntary system, the traditional American system of free enterprise, and private enterprise through the voluntary efforts of the retired employees themselves. I am glad to see this extension of benefits to retired Federal Government employees, and I want to point out that this legislation in particular has had the full support of all the various health groups including physicians throughout the country.

Mr. SANTANGELO. Mr. Speaker, will the gentleman yield?

Mr. LESINSKI. I yield to the gentleman from New York.

Mr. SANTANGELO. Mr. Speaker, I want to commend the gentleman from Michigan and the Committee on the Post Office and Civil Service for reporting this bill to the House for our consideration. As a former member of the Post Office and Civil Service Committee I appreciate the difficulties which this problem presented. This bill will take care of a great many retired Government employees who desperately need care but who were losing their chance for private insurance and their benefits because the Federal Government had entered the picture and destroyed the efficacy of employee plans which were practically destroyed by the elimination of all source of potential members of the plan.

I commend the gentleman and the committee for the vigorous way they have attacked this problem and the solution they have brought us.

Mr. REES of Kansas. Mr. Speaker, I yield such time as he may desire to the gentleman from Ohio [Mr. SCHENCK].

(Mr. SCHENCK asked and was given permission to revise and extend his remarks.)

Mr. SCHENCK. Mr. Speaker, I want to express my appreciation to my distinguished friend and colleague, the Honorable EDWARD REES for granting me this time. I also want to express my deep personal regret that our good friend, ED REES is retiring from the Congress this year. To have the privilege of having served here with him is an honor for which I shall always be grateful. We shall all miss him and I know we each extend to him our every good wish for many more years of good health and happiness.

Mr. Speaker, the retired Federal Employees Health Benefits Act of 1960, S. 2575, is of special concern to many retired Federal employees in my congressional district and the adjoining district represented by my distinguished colleague the Honorable CLARENCE J. BROWN. Some years ago employees at Wright-Patterson Air Force Base set up a plan of health insurance. It was operated by a civilian welfare fund council at the base under the chairmanship of Mr. F. S. Allen. This plan was available to all employees and could be con-

tinued on retirement at the same general rates.

At the time the Federal Employees Health Benefits Act of 1959 was being considered, the Paul Revere Life Insurance Co., carried a group contract with 11,606 employees at WPAFB. Some 600 of these employees had been retired but were still covered by the plan.

The local group applied to the Civil Service Commission to have the Paul Revere plan included under the new Federal Employees Health Benefits Act. The application was denied on the contention that the plan in effect was not national in scope. Mr. Allen appeared before the Civil Service Commission at a hearing on March 21, 1960, but the earlier decision was reaffirmed.

Those Federal employees in current government employment were eligible for coverage under the new health benefits law, but the 600 retired employees were, of course, ineligible under the law's provisions.

This has created a great hardship on the retirees in this group since they must now shop for insurance on an individual basis. Not only are the rates much higher but many found that they were no longer able to get insurance at all.

Mr. Speaker, Congressman BROWN joins me in urging the approval of this legislation.

Mr. BROWN of Ohio. Mr. Speaker, will the gentleman yield?

Mr. SCHENCK. I yield to the gentleman from Ohio.

Mr. BROWN of Ohio. I wish to congratulate the gentleman from Ohio [Mr. SCHENCK] for the statement he has just made. I not only approve of it, but I join with him in urging the passage of this bill in order to correct a very evident injustice which has been worked on the people of Ohio in connection with this retirement insurance matter.

Mr. SCHENCK. I thank the gentleman.

Mr. REES of Kansas. Mr. Speaker, I yield 2 minutes to the gentleman from New Jersey [Mr. WALLHAUSER].

Mr. WALLHAUSER. Mr. Speaker, as a member of the committee reporting this bill I rise in support of the legislation which was carefully considered and unanimously reported, as has been said. I also agree with the expressed opinion that we in the Congress do have an obligation to correct an injustice to those loyal former employees who have rendered such a fine service to their Government, and who have not been accorded equal treatment, in terms of health and medical benefits.

So, Mr. Speaker, I am very happy to join in the request for the passage of this legislation and hope that it will be enacted unanimously.

Mr. REES of Kansas. Mr. Speaker, I yield 1 minute to the gentleman from California [Mr. BALDWIN].

Mr. BALDWIN. Mr. Speaker, I rise in support of S. 2575. I am very pleased that the committee has brought this bill before the House today. Of all the groups I feel that these retirees are probably the ones who need a program of this type the most, because they are de-

pendent upon a fixed and limited income, and when they have a serious sickness and run up a big hospital bill or a big medical bill of any type, very frequently that presents a very serious financial problem to them. This, I believe, will solve that problem, and I am glad to support it.

Mr. REES of Kansas. Mr. Speaker, I yield 1 minute to the gentleman from Washington [Mr. PELL].

Mr. PELL. Mr. Speaker, I am in strong support of S. 2575, to provide health benefits for retired Government employees. I know of no group more deserving. In my district for many years I have met with the retired Government employees, and they have shown me to my own satisfaction that they badly have needed a health benefit plan of this kind. I want to thank the Committee on Post Office and Civil Service for bringing this legislation to final passage, and I want to emphasize that this is very essential legislation. It will help many needy retired people into whose pensions inflation has cut very deeply.

(Mr. PELL asked and was given permission to revise and extend his remarks.)

Mr. REES of Kansas. Mr. Speaker, I yield 1 minute to the gentleman from Nebraska [Mr. CUNNINGHAM].

Mr. CUNNINGHAM. Mr. Speaker, I wholeheartedly endorse this legislation. I was a member of the subcommittee of the Committee on Post Office and Civil Service that heard the testimony and recommended the legislation to the Congress. It certainly is deserving, and I hope that the measure will be passed overwhelmingly. Our retired employees are entitled to this health insurance program, and I might add it is one of the finest programs of group health insurance available today.

Mr. REES of Kansas. Mr. Speaker, I yield 1 minute to the gentleman from Washington [Mr. TOLLEFSON].

Mr. TOLLEFSON. Mr. Speaker, S. 2575 is a much needed and worthwhile measure. It will provide a modest but helpful health benefit program for retired Federal employees. These employees served their Government well during the years of their employment and are entitled, it seems to me, to the same consideration which we gave to currently employed Federal employees when we approved a measure providing health benefits for them. I trust that the House of Representatives will approve this proposal by an overwhelming vote.

(Mr. TOLLEFSON asked and was given permission to revise and extend his remarks.)

Mr. REES of Kansas. Mr. Speaker, I yield 1 minute to the gentleman from Pennsylvania [Mr. FULTON].

Mr. FULTON. Mr. Speaker, I strongly support and recommend the passage of S. 2575 to provide a health benefits program for retired Federal employees.

We have 415,000 individuals now on the retired rolls of the Federal Government who are not eligible to participate in the active employees program under Public Law 86-382 called the Federal Employees Health Benefits Act of 1959.

We therefore must pass this legislation in order to be fair to our Federal retired employes who have given long, loyal, and dedicated service to our American people and I strongly recommend that we pass it overwhelmingly.

I have been thinking about it, and I do not know of a more loyal, uncompromising and wonderful group of people in the United States of America than the retired Federal employees and postal workers. Their work and devotion are a good example for us today. Retired or not, they are certainly entitled to their place in the sun, and should not be forgotten. Let us in Congress always protect our retired Federal employees and postal workers, in their pensions, their health programs, and their well-earned benefits.

Mr. REES of Kansas. Mr. Speaker, I yield 1 minute to the gentleman from New York [Mr. OSTERTAG].

Mr. OSTERTAG. Mr. Speaker, I rise in support of S. 2575, as amended by the House Post Office and Civil Service Committee, the Retired Federal Employees Health Benefits Act. This legislation seeks to correct the existing inequity by extending health insurance benefits to former Federal employees who retired before the effective date of the Federal Employees Health Benefits Act of 1959, entitling them to the same coverage enjoyed by the now employed civil servants.

I feel that the legislation proposed would effectively correct the injustice that has been done these approximately 415,000 individuals now retired, and ineligible under Public Law 382 of the 86th Congress. It is extremely important that these people, the majority of whom are living on fixed incomes, have their medical bills covered in this age of soaring prices. This is not intended to be a handout to our retired employees. It will, however, assure each one of them the opportunity to pay a fixed sum comparable to that paid by the now working civil servant, and thus be guaranteed against undue hardships as a result of overwhelming medical bills.

This matter of medical care for retired civil servants is one in which I have been very much interested for some time, having introduced H.R. 9103, the Federal Annuitants Health Benefits Act of 1959. I am happy that the bill under consideration today embodies in effect my proposal, as I feel very strongly that those who have served so well and faithfully in the service of their country deserve this opportunity. I hope that this measure will be enthusiastically adopted by the House and I wholeheartedly recommend it for your favorable consideration.

(Mr. OSTERTAG asked and was given permission to revise and extend his remarks.)

Mr. REES of Kansas. Mr. Speaker, I yield 1 minute to the gentleman from Michigan [Mr. HOFFMAN].

(Mr. HOFFMAN of Michigan asked and was given permission to revise and extend his remarks.)

Mr. HOFFMAN of Michigan. Mr. Speaker, it is not at all difficult to understand why so many of my colleagues are in favor of this bill. This is an elec-

tion year. It is said to be necessary to correct an inequality. The thing that is strange to me is that we always correct it upward. Everyone knows, of course, that the cost of living has increased, that there are many, many people in this country in need, but in my judgment this is the wrong way to go at the situation. What the Congress should do, Members should take a cut themselves and force all other Federal employees to take a cut. We are never going to solve this situation by giving ever increasing numbers more and more and putting ever increasing burdens upon an ever increasing minority. All right. I know you will pass it, but that is it.

If we continue the present policy of appropriations without regard to our ability to pay just how long can the taxpayers bear the burden?

Mr. DAVIS of Georgia. Mr. Speaker, I yield such time as he may desire to the gentleman from Colorado [Mr. ROGERS].

Mr. ROGERS of Colorado. Mr. Speaker, I rise in support of S. 2575 to provide a health benefit program for certain retired employees of the Federal Government. As has been indicated, heretofore, there are a number who have retired in the past who are not eligible to come under the Health Benefit Acts for our Government employees. I strongly recommend the enactment of this legislation.

Mr. DAVIS of Georgia. Mr. Speaker, I yield such time as he may desire to the gentleman from California [Mr. COHELAN].

Mr. COHELAN. Mr. Speaker, I speak in support of this legislation and wish to express my gratification that we have the measure on the floor today for action. Because of need for medical assistance for Federal workers already retired and those who will retire before Public Law 86-382 goes into effect, I supported the original bill authored by the gentleman from Louisiana [Mr. MORRISON] and last year introduced a companion to his bill. This legislation, although modified, will deal with this inequity and I urge that we act directly and pass S. 2575 today.

(Mr. COHELAN asked and was given permission to revise and extend his remarks.)

GENERAL LEAVE TO EXTEND

Mr. DAVIS of Georgia. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to extend their remarks on the pending bill.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

Mr. BARRY. Mr. Speaker, as one of the sponsors of the original legislation in the House of Representatives and a member of the Civil Service Committee which reported this bill in its present revised and improved form, I felt a particular obligation to rise in its support on the floor of the House.

This bill, S. 2575, to which my bill, H.R. 8994, introduced last year was a companion, forestalls an inequity by providing a much-needed health bene-

fits program for the already retired Government employees who were ineligible for the benefits of the Federal Employees Health Benefits Act of 1959 because they retired before it came into effect.

It is clearly a grave injustice that a person should be penalized because he or she retired after many years of faithful Government service in 1958 rather than in 1960. The number of persons involved is about 415,000. The cost to the Government in this bill will inevitably drop year by year and eventually vanish. It is the clear obligation of the Congress to provide equal treatment in terms of health and medical benefits for all its former employees no matter when they retired.

The justice of this bill is clearly shown by the fact that it received the approval of each and every member of the Post Office and Civil Service Committee.

The bill is technically an improvement over last year's Federal Health Benefits Act in that it consolidates the numerous and various health benefits plans into a single program.

Likewise, we in the House committee have provided a more simple and more favorable Government contribution structure than that provided in the Senate bill.

Thirdly, in order to meet the varying needs of retired persons and insure freedom of choice in the traditional American way, the committee has granted the option to retirees of retaining health benefits coverage they now have or of enrolling in a health benefits plan of their choice.

Proper care of our elderly retired citizens and equality of treatment for all are the principles necessitating this legislation. I am proud to have been one of those who introduced it in the House. I trust that we will approve it expeditiously.

Mr. RIEHLMAN. Mr. Speaker, I am indeed happy that my colleagues and I will have an opportunity today to work our will on S. 2575, the Retired Federal Employees Health Benefits Act. I am confident that in doing so we will erase the discouragement and disappointment of those 415,000 individuals now on the retirement rolls who were not included under the provisions of the Federal Employees Health Act of 1959. They were not provided for in the bill passed last year because Congress was informed that such a move would be actuarially unsound. I am thankful, as I know many of my colleagues are, that a sound program has now been devised, and that we can support it with no qualms.

It is imperative that we recognize our undeniable obligation to provide equal treatment for these former employees. We owe equal treatment to these loyal persons who have given so many years of their lives to Government service. I am thankful for the opportunity to eliminate this discrimination. I urge your support of this vital legislation.

The SPEAKER. The question is, Will the House suspend the rules and pass the bill.

The question was taken; and (two-thirds having voted in favor thereof) the

rules were suspended and the bill was passed.

A motion to reconsider was laid on the table.

A GEORGIA COMMUNITY TAKES STEPS AGAINST OBSCENE MATERIAL.

Mrs. BLITCH. Mr. Speaker, on May 3, I spoke briefly before this body, calling attention to the growing menace to the morals of our youth created by the widespread circulation of obscene literature on magazine racks and through the mails, and urging action by the Congress to curb this vicious practice. On the same occasion, I also paid tribute to the distinguished gentlewoman from Pennsylvania [Mrs. GRANAHAU], chairwoman of the Postal Operations Subcommittee, for the untiring efforts she has already made to combat this serious problem on the national level, by fostering legislation to strengthen our Federal antiobscenity statutes and by awakening the American people to the enormity of the half a billion dollar pornography trade now flourishing in this country.

Shortly after my remarks on this urgent subject appeared in the RECORD, I received the following letter from Mr. Bert Harsh, vice president of the comparatively new Parents' League of Moultrie and Colquitt County, Ga.:

JULY 21, 1960.

DEAR MRS. BLITCH: I have read with a great deal of interest your speech before the House of Representatives on the subject of obscene literature and I was particularly interested in the reference to a suggested program which communities might use in cleaning up local newsstands. Two years ago Moultrie and Colquitt County formed a Parents' League which has been assisting in combating adult and youth delinquency. The youth have taken great steps forward in combating youth delinquency, but adult delinquency still continues to be a frustrating problem. The type of literature on the newsstand in Moultrie is a good example of this delinquency on the part of adults. Any information or assistance you may be able to offer us in combating this problem will be appreciated. Enclosed is a copy of the Teen-Age Adult Goals which the youth of Moultrie and Colquitt County drafted about 1½ years ago. It is doing a very fine job and provides those young people without proper parental guidance with a standard to go by. Also attached is a pamphlet on the Parents' League which you may find interesting.

Yours very sincerely,

BERT HARSH,
Vice President.

Now, Mr. Speaker, it happens that the writer of this letter, Mr. Harsh, is not a resident of my district, his hometown of Moultrie, Ga., being located in the Second District of our State. And, on this occasion, I would like to congratulate my colleague, Congressman J. L. PILCHER, who so ably represents that district, on the fine work being done by the citizens of his home area to protect their children and teenagers against a problem which they alone are powerless to cope with completely.

Mr. Harsh's letter and the pamphlets he attached, describing the work of the Parents' League of Moultrie, clearly re-

flect, I believe, the aroused interest and serious concern which parents and youth leaders all over the Nation now feel regarding the ever-growing rash of filthy literature spread before our young people.

Despite the work which, in Mr. Harsh's opinion, yet remains to be done to clear the news and magazine stands in Moultrie of obscene literature, the steps already taken by the progressive citizens of this forward-looking Georgia community are a heartening example of what can be accomplished on the local level when parents and civic leaders bestir themselves and make up their minds to put a stop to undesirable influences affecting their children, young people, and adults.

The plans and program of their newly formed Parents' League, as set forth in the pamphlet sent me by Mr. Harsh, are so inspiring that I would like to enter them in the RECORD. I do this not only as a tribute to these enlightened citizens in my home State of Georgia, but with the belief that the practical steps which they have taken to safeguard the morals of youth may serve as a helpful guide to parents and leaders of young people in other American communities, who may wish to mobilize their efforts in similar fashion. On a later occasion, I will enter the second pamphlet sent me by Mr. Harsh, "Teenage Adult Goals," written by the students of Moultrie Senior High School. The bold action of the parents and community leaders of Moultrie and Colquitt County, Ga., make me proud, as always, to be a Southerner.

Here is their program:

DEAR FRIEND: In every community throughout the United States, parents, teachers, teenagers as well as "just plain adults" are concerned over what is commonly referred to as "juvenile delinquency." Some communities have recognized the problem and have taken corrective action toward curbing them, while other communities have, as yet, done nothing.

Fortunately, the people of Moultrie and Colquitt County have been aroused to the challenge and have taken steps to abolish or at least curb delinquency by a multipronged attack against all problem areas.

One may ask, "But how did this movement get started," and "What brought Moultrie to realize that action was necessary?" The following story answers these and many more questions regarding what has taken place in this Georgia community.

Late in 1957, the Junior Woman's Club of Moultrie sponsored a series of talks before civic clubs and high school groups by Dr. Edwin Hartz, chaplain of Florida State University in Tallahassee, Fla. Dr. Hartz also talked to parents of children in the sub-teenage group as well as to parents of children in the upper teenage group. In addition, many private counseling periods were conducted by Dr. Hartz with teenagers regarding personal problems at home and otherwise.

As a result of Dr. Hartz's talks, interest grew rapidly in the problems which were daily confronting our teenage children and so great was the interest, that Mr. M. S. McDonald, senior high school principal, was invited by the civic clubs and other organized groups to speak and elaborate on the community's problems. Mr. McDonald's talks were frank, honest, and presented to the people of Moultrie a factual evaluation of existing conditions.

Following Mr. McDonald's series of talks, the question on everyone's lips was the same: "What can be done to correct these influences in Moultrie which are demoralizing our youth?"

First of all, a movement was started to develop a code of behavior for parents, teenagers, and teachers. Hundreds of hours were spent by teenagers, teachers, and parents in the development of a code of behavior for all people in the community. "The Code" as it is familiarly referred to, is a simple but exacting statement of "what we believe" concerning daily human behavior.

It was during the drafting of the code of behavior that it was realized that the code, by itself, could not easily stand up against some of the evil influences in the community. Specifically, there was no control over showing of questionable movies to teenagers; inadequate control over sale of alcoholic beverages to teenagers; nor was there any control over the sale of questionable literature on the newsstands. Further, it was realized that some sort of educational program should be developed to emphasize the responsibilities of adults and parents toward the children of the community.

This realization led to the meeting of all civic club and organized group presidents in an effort to determine an effective course of action. An outgrowth of several of these meetings was the founding of the Parents' League, a nonprofit organization with no outside affiliations or political purposes, but whose prime goal was "to promote and foster in Moultrie and Colquitt County a healthy and moral atmosphere in which our youth may properly develop their minds and bodies."

In organizing the Parents' League, the following steps were taken:

(a) Establishment of a steering committee made up of two civic club presidents, the juvenile court judge, a merchant, a county schoolteacher, a city schoolteacher, a minister, a housewife, the senior high school principal and the youth center advisor. (All but one are parents of children in a broad age range.)

(b) Immediate steps were made to secure support from every individual adult and parent in the community, as well as support from civic clubs and organized groups. Dues for membership were set at \$1 per year for individuals and \$10 to \$25 per year for sponsoring organizations depending upon size and financial capabilities.

(c) Talks outlining the story of the Parents' League were scheduled before all interested groups, soliciting their moral and financial assistance. Civic clubs and other organized groups were requested to establish parents' league committees to work with the steering committee in working out problems.

(d) Method of operation was to take whatever action was necessary to apply pressure, publicize and condemn influences in the community which served to make the code ineffective. Use of newspaper advertising, television, radio and personal talks were to be the means for effecting the desired results.

It is believed that the people of the community are faced with a real challenge in that the youth played a big part in the establishment of the code and the burden now is upon the parents and adults to make it possible for the code to operate.

Today the youth of this community believe in the code and they believe the Parents' League will make it possible for the code to work. The youth in Moultrie, as in other communities are aware of the bad influences which confront them daily. If adults and parents close their eyes to these poor influences and refuse to confront the problems of our community, will not the youth do likewise and thereby be demoralized even further by this indifferent attitude?

INCLUDING FLOATING DRYDOCKS UNDER THE TERM "VESSEL"

Mr. BONNER. Mr. Speaker, I move to suspend the rules and pass the bill (S. 107) to amend title XI of the Merchant Marine Act, 1936, relating to Federal ship mortgage insurance, in order to include floating drydocks under the definition of the term "vessel" in such title.

The Clerk read as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 1101(c) of the Merchant Marine Act, 1936, is amended by striking out "and fishing vessels" and inserting in lieu thereof "fishing vessels, and floating drydocks" which have a capacity of thirty-five thousand or more lifting tons and a beam of one hundred and twenty-five feet or more between the wing walls.

SEC. 2. Subsection (a) of section 1104 of the Merchant Marine Act, 1936, as amended (46 U.S.C. 1274), is amended by deleting the word "or" before clause (d) of paragraph (8) and adding the following new clause at the end of paragraph (8): "or (e) with respect to floating drydocks, in the construction, reconstruction, reconditioning, or repair of vessels."

SEC. 3. Subsection (b) of section 1104 of the Merchant Marine Act, 1936, as amended (46 U.S.C. 1274), is amended by deleting the word "or" before clause (d) of paragraph (2) and adding the following new clause at the end of paragraph (2): "or (e) with respect to floating drydocks, in the construction, reconstruction, reconditioning, or repair of vessels."

The SPEAKER. Is a second demanded?

Mr. DEROUNIAN. Mr. Speaker, I demand a second.

The SPEAKER. Without objection, a second will be considered as ordered.

There was no objection.

Mr. BONNER. Mr. Speaker, the purpose of the bill is to amend title XI of the Merchant Marine Act of 1936 so as to include floating drydocks among the type of vessels eligible for Federal ship mortgage insurance in order to facilitate their construction through private financing.

Mr. Chairman, this bill passed the House in a previous session of the Congress but failed of passage in the Senate. The Senate has passed this bill, in an improved form, in this session of Congress. Now it comes to the House.

The bill would set a minimum limit as to the size of floating drydocks to be built under this bill. There is not one on the west coast at the present time able to take care of vessels of 45,000 tons. So, Mr. Speaker, to save my soul I cannot see why anybody would have any objection to this bill. It is my guess that the gentleman who demanded a second had in mind a different bill.

Mr. DEROUNIAN. Mr. Speaker, will the gentleman yield?

Mr. BONNER. I yield to the gentleman.

Mr. DEROUNIAN. Is this bill the same as H.R. 5383?

Mr. BONNER. This is S. 107.

Mr. DEROUNIAN. It is not the same as H.R. 5383?

Mr. BONNER. No.

Mr. DEROUNIAN. Mr. Speaker, I yield such time as he may consume to

the gentleman from Washington [Mr. PELLY].

Mr. PELLY. Mr. Speaker, I think the Members of the House should know that the administration opposed this bill and submitted an unfavorable report. The Navy indicated that there was no need for these floating drydocks. On the other hand, it is only fair to say that if someone wanted to get one of these floating drydocks without going to the Federal Government for mortgage assistance, he could get one built abroad and towed here, pay the duty, and get it a lot cheaper.

Mr. BONNER. Mr. Speaker, will the gentleman yield?

Mr. PELLY. I yield to the gentleman.

Mr. BONNER. The gentleman knows that you cannot build a vessel abroad and bring it in here.

Mr. PELLY. I think they could bring in a floating drydock and still save money. Therefore I do not see why we should not pass the legislation and I am not going to oppose it, on that account. I think it could be built in Japan or Germany and towed to this country, at a total cost less than it could be built in this country.

Mr. BONNER. That is the case with any vessel today. It can be built cheaper abroad. But we have tried to protect labor in this country.

Mr. PELLY. That is exactly what I have in mind.

Mr. BONNER. And we have tried to protect other things in this country. Certainly I do not advocate taking our capital out of this country and depriving labor of its earning capacity in order to do construction work in foreign countries. Drydocks of this size would be very essential if an emergency should arise and commercially at the present time they are necessary on the gentleman's own coast.

Mr. PELLY. I will say to my distinguished chairman that at the present time I do not believe there is any need for any more floating drydocks or any drydocks of any kind. We do not have enough ship construction going on to utilize the drydocks we have now.

We are not going to have enough ship construction going on to utilize the drydocks we have now. Nevertheless, I am not going to oppose this bill, because I believe if there are any floating drydocks they should be built in this country. Therefore, I am simply taking this time to have the record straight to show that while the administration opposes it, I am not going to oppose the bill myself.

Mr. BONNER. I thank the gentleman.

Mr. PELLY. Mr. Speaker, I yield such time as he may desire to the gentleman from Washington [Mr. TOLLEFSON].

Mr. TOLLEFSON. Mr. Speaker, this bill simply amends existing law which provides for insured loans for new vessel construction. The amendment simply adds the words "floating drydocks" to present law.

It was testified in the hearings of the committee that there are not sufficient drydocks to take care of the new large vessels which are being constructed. I think there is only one large drydock on

the east coast sufficiently large to take care of some of the new tankers that are being built.

The House should note that this bill costs the Government nothing. It simply provides for insured mortgages. The Government simply insures mortgages which are given to the financial institutions, so there is no cost to the Government whatsoever. As a part of the premium, 1/2 percent, I think, is charged by the Government to take care of any possible losses which might come about as the result of the program.

I would urge the Committee to approve this measure even though there has been some administration opposition to it. I urge you to do so first on the basis that it does not cost the Government anything, and second, that I believe in the future as these larger vessels are being built we will need this extra floating drydock as a defense and emergency facility.

Mr. BONNER. Mr. Speaker, I yield such time as he may desire to the gentleman from Florida [Mr. BENNETT].

Mr. BENNETT of Florida. Mr. Speaker, I favor this legislation. I should like to point out that the Navy in their report say:

As there may be a possible mobilization deficiency of floating drydocks in a future emergency, this Department would favor legislation which would encourage the building of additional floating drydocks.

This is from their report, which appears in the committee report.

Personally, I know of no opposition to the legislation. I feel that this legislation should be enacted promptly.

The SPEAKER. The question is, Will the House suspend the rules and pass the bill S. 107?

The question was taken; and (two-thirds having voted in favor thereof) the rules were suspended and the bill was passed.

A motion to reconsider was laid on the table.

DETERMINING STATUS OF PERSONNEL AT MERCHANT MARINE ACADEMY

Mr. BONNER. Mr. Speaker, I move to suspend the rules and pass the bill (H.R. 5383) to amend section 216 of the Merchant Marine Act, 1936, as amended, to clarify the status of the faculty and administrative staff at the U.S. Merchant Marine Academy, to establish suitable personnel policies for such personnel, and for other purposes.

The Clerk read as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 216 of the Merchant Marine Act, 1936, as amended (46 U.S.C. 1126), is amended as follows:

(1) By amending subsection (a) to read as follows:

"SEC. 216. (a) The Secretary of Commerce is hereby authorized and directed under such rules and regulations as he may prescribe, to establish and maintain the United States Maritime Service as a voluntary organization for the training of citizens of the United States to serve as licensed and unlicensed personnel on American merchant vessels. The Secretary is authorized to determine the number of persons to be en-

Digest of CONGRESSIONAL PROCEEDINGS

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF
BUDGET AND FINANCE

(For Department
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Forest products.....	41
Forest Service.....	11,26
Forestry.....	11,26,33,41
Fruits and vegetables....	40
Health.....	4,5
Imports.....	6,20,40
Interest rates.....	51
Lands.....	21
Legislative program...	24,39

Lime.....	32
Milk marketing.....	46
Milk price supports.....	13
Natural resources.....	44
Nomination.....	28
Old-age assistance.....	7,16,30
Overseas activities.....	14
Personnel.....	4,14,29
Price supports.....	51
Property.....	47,49
Public Law 480.....	51
Reclamation.....	12,23,45
Research.....	11
Second supplemental appropriations...	11,26
Small business.....	48
Soil bank.....	36
Surplus commodities.....	2,11,27,47,49
Taxation.....	29,32
Textiles.....	20
Transportation.....	19
Watersheds.....	22
Wildlife.....	18

HIGHLIGHTS: House passed supplemental appropriation bill. Both Houses agreed to conference report on mutual security appropriation bill. House committee voted to report bill to increase price support level for milk and butterfat. Senate committee opted to report measure for study of U. N. food-for-peace program. Senate agreed to conference report on Labor-HEW appropriation bill. House received conference report on public works appropriation bill. Sen. Humphrey and Rep. Flood introduced and discussed bills to authorize donation of surplus commodities and property to Polish flood victims. Sen. Humphrey introduced and discussed bill to provide (cont'd p. 7)

SENATE - AUG. 26

1. LABOR-HEW APPROPRIATION BILL, 1961. Agreed to the conference report on this bill, H. R. 11390 (pp. 16563-9). This bill will now be sent to the President.
2. SURPLUS COMMODITIES; FOREIGN AID. The Foreign Relations Committee reported an original concurrent resolution, S. Con. Res. 116, expressing the support of the Congress for the continued exploration by the President with other nations for the establishment of an international food program for the purpose of furnishing food to needy countries (S. Rept. 1922). p. 16503
3. APPROPRIATIONS. Received from the President supplemental appropriation estimates for the President's special international program (S. Doc. 120), and for the Department of Health, Education, and Welfare (S. Doc. 121). p. 16507

4. PERSONNEL. Concurred in the House amendment, after agreeing to an amendment by Sen. Johnston, to S. 2575, to provide a health benefits program for certain retired employees of the Federal Government. pp. 16569-71
5. HEALTH. Agreed to the conference report on H. R. 6871, to amend the Public Health Service Act so as to authorize project grants for graduate training in public health. p. 16556
6. IMPORTS. Passed with an amendment H. R. 12659, to suspend for a temporary period the import duty on heptanoic acid. pp. 16623-5
7. OLD-AGE ASSISTANCE. Received the conference report on H. R. 12580, to provide grants to States for medical care for aged individuals of low income. pp. 16611-22
8. DEPRESSED AREAS. Sen. Keating criticized the Democrats for not passing depressed areas legislation as recommended by the President, and stated that "it is perfectly clear that the members of the majority party do not want any area assistance program before the election." p. 16532
Sen. Douglas criticized the recent testimony of Secretary of Commerce Mueller on depressed areas legislation and stated that his testimony "has again vetoed our efforts to enact an effective area redevelopment law." pp. 16572-3
9. FOREIGN AID. Sens. Dirksen and Cooper inserted a report on the first 26 months of operation of the Development Loan Fund. pp. 16515, 16529

HOUSE - AUG. 26

10. MUTUAL SECURITY APPROPRIATION BILL, 1961. Both Houses agreed to the conference report on this bill, H. R. 12619, and acted on amendments in disagreement. This bill will now be sent to the President. pp. 16596-609, 16638-47
11. SECOND SUPPLEMENTAL APPROPRIATION BILL, 1961. Passed with amendments this bill H. R. 13161. Earlier the Appropriations Committee had reported the bill without amendment (H. Rept. 2166). pp. 16666-72, 16712
As passed the bill includes Forest Service items as follows: \$700,000 of the \$800,000 budget estimate for "Forest land management" (for rehabilitation of burned areas) and \$500,000, the budget estimate, for "Forest research" (for emergency research on the burned-over San Dimas Experimental Forest).
The budget estimate of \$1,000,000 under "Funds appropriated to the President" for program administration, audit, and end-use checks of overseas surplus agricultural commodity donations carried on by private voluntary relief agencies was not included in the bill.
12. PUBLIC WORKS APPROPRIATION BILL, 1961. Received the conference report on this bill, H. R. 12326 (H. Rept. 2181). The conference report includes items for Army flood control and Interior reclamation. pp. 16647-55, 16712
13. MILK PRICE SUPPORTS. The Agriculture Committee voted to report (but did not actually report) S. 2917, to establish a price support level for milk and butterfat. p. D724

Departments of Labor, and Health, Education, and Welfare, and Related Agencies Appropriation Act, 1961 (H.R. 11390)—Continued

[Figures in parentheses not added in totals]

	Appropriations, 1960	Budget esti- mates, 1961	House allow- ance	Senate allow- ance	Conference allowance
RELATED AGENCIES					
National Labor Relations Board	\$15,280,000	\$17,300,000	\$17,300,000	\$17,300,000	\$17,300,000
National Mediation Board	1,137,000	1,555,000	1,522,500	1,555,000	1,555,000
Railroad Retirement Board (trust funds)	(9,100,000)	(9,485,000)	(9,485,000)	(9,485,000)	(9,485,000)
Federal Mediation and Conciliation Service	3,005,400	4,093,000	3,005,400	4,093,000	3,005,400
Interstate Commission on the Potomac River Basin	5,000	5,000	5,000	5,000	5,000
U.S. Soldiers' Home (trust funds)	(11,008,000)	(5,604,000)	(5,604,000)	(5,604,000)	(5,604,000)
Total, direct appropriations, all titles of the bill	4,000,980,481	3,051,953,981	4,180,773,731	4,482,530,031	4,350,921,331
Total, indefinite appropriations, all titles of the bill	61,302,000	68,268,000	3,240,000	3,240,000	3,240,000
Grand total	4,062,282,481	4,020,221,981	4,184,022,731	4,485,788,031	4,354,170,331

MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. Bartlett, one of its reading clerks, announced that the House had agreed to the report of the committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H.R. 12580) to extend and improve coverage under the Federal old-age, survivors, and disability insurance system and to remove hardships and inequities, improve the financing of the trust funds, and provide disability benefits to additional individuals under such system; to provide grants to States for medical care for aged individuals of low income; to amend the public assistance and maternal and child welfare provisions of the Social Security Act; to improve the unemployment compensation provisions of such act; and for other purposes.

ENROLLED BILL SIGNED

The message also announced that the Speaker had affixed his signature to the enrolled bill (H.R. 7242) to amend sections 1, 57j, 64a(5), 67b, 67c, and 70c of the Bankruptcy Act, and for other purposes.

HEALTH BENEFITS PROGRAM FOR CERTAIN RETIRED GOVERNMENT EMPLOYEES

Mr. JOHNSTON of South Carolina, Mr. President, I ask the Presiding Officer to lay before the Senate the amendment of the House of Representatives to S. 2575.

The Presiding Officer laid before the Senate the amendment of the House of Representatives to the bill (S. 2575) to provide a health benefits program for certain retired employees of the Government, which was to strike out all after the enacting clause and insert:

That this Act may be cited as the "Retired Federal Employees Health Benefits Act".

DEFINITIONS

SEC. 2. As used in this Act—

(1) The terms "employee", "Government", "member of family", and "Commission" have the same meanings, when used in this Act as such terms have when used in the Federal Employees Health Benefits Act of 1950.

(2) "Health benefits plan" means an insurance policy or contract, medical or hospital service arrangement, membership or subscription contract, or similar agreement

provided by a carrier for a stated periodic premium or subscription charge for the purpose of providing, paying for, or reimbursing expenses for hospital care, surgical or medical diagnosis, care, and treatment, drugs and medicines, remedial care, or other medical supplies and services, or any combination of these.

(3) "Retired employee" means any person who would be an annuitant as that term is defined in the Federal Employees Health Benefits Act of 1950 if the contribution and enrollment provisions of that Act had been in effect on the date the person became an annuitant, but does not include any person who was a noncitizen whose permanent-duty station was outside a State of the United States or the District of Columbia on the day before he became an annuitant.

(4) "Carrier" means a voluntary association, corporation, partnership, or other non-governmental organization which lawfully offers a health benefits plan.

GOVERNMENT-WIDE PLAN

SEC. 3. (a) The Commission shall, without regard to section 3709 of the Revised Statutes or any other provision of law requiring competitive bidding, enter into a contract with a qualified carrier for one uniform Government-wide health benefits plan for retired employees. Such contract shall be for a period of at least one year and shall be automatically renewable in the absence of notice of termination by either party. The carrier shall, if the Commission so directs, cede reinsurance to such other companies which regularly issue group health insurance as may elect to participate or shall allocate its rights and obligations under the contract among such of its affiliates as may elect to participate in accordance with an equitable formula to be determined by the carrier and approved by the Commission. The contracting carrier, if an insurance company, shall be licensed to issue group health insurance in all the States of the United States and the District of Columbia and shall, in the most recent year for which data are available, have made at least 1 per centum of all group health insurance benefit payments in the United States.

(b) The contract under this Act shall contain a detailed statement of the benefits offered and shall include such maximums, limitations, exclusions, and other definitions of benefits as the Commission may deem necessary or desirable. No person may be excluded because of race, sex, health status, or age, and the contract may not deny or limit benefits because of any pre-existing condition.

(c) The rates charged for the health benefits plan described in subsection (a) of this section shall reasonably and equitably reflect the cost of the benefits provided. Rates determined for the first term shall be adjusted for subsequent terms on the basis of experience. The Commission shall prescribe the extent to which reserves due to favorable

experience may be retained by the carrier. Such reserves shall in any case be retained for the benefit of retired employees enrolled thereunder, and members of their families.

CONTRIBUTIONS

SEC. 4. (a) If a retired employee enrolls in the health benefits plan provided for by section 3 of this Act, the Government shall contribute toward his subscription charge such amounts as the Commission by regulation may from time to time prescribe. The amount so prescribed, if the employee is enrolled for self only, shall not be less than \$1.00 monthly or more than \$4.00 monthly. The amount to be prescribed for a retired employee enrolled for self and family shall be twice the contribution for one enrolled for self only. A retired employee may not receive a Government contribution for more than one plan, nor may a retired employee receive a Government contribution if he is covered under the enrollment of another employee or retired employee who is receiving a Government contribution toward his enrollment.

(b) In addition, the Government shall contribute an amount, as prescribed by the Commission, up to 2 per centum of each contribution authorized by subsection (a) of this section to the Retired Employees Health Benefits Fund, for payment of expenses incurred by the Commission in administering this Act.

WITHHOLDING

SEC. 5. There shall be withheld from the annuity or compensation of each retired employee enrolled in the health benefits plan provided for under section 3 of this Act so much as is necessary, after deducting the contribution of the Government, to pay the total charge for his enrollment.

OTHER HEALTH BENEFITS PLANS

SEC. 6. (a) Subject to subsection (b) of this section, a retired employee who elects to obtain a health benefits plan, or to retain an existing health benefits plan, other than the plan provided for under section 3 of this Act, directly with a carrier, shall be paid a Government contribution to the cost of his health benefits plan which shall be equal in amount to the appropriate Government contributions established by the Commission pursuant to section 4(a) of this Act, but may not exceed the cost to him of the health benefits plan in which he is enrolled or which he retains or, if the plan combines health benefits with other benefits, shall not exceed the cost to him of the premium fixed by the carrier for the health benefits portion of the plan in which he is enrolled or which he retains. A retired employee may not receive a Government contribution for more than one plan, nor may a retired employee receive a Government contribution if he is covered under the enrollment of another employee or retired employee who is receiving a Government contribution toward his enrollment.

(b) A retired employee who enrolls in a plan shall be entitled to the Government contribution provided by this section only if the carrier of the plan (1) has been providing health benefits for at least one year and (2), if an insurance company, is licensed to issue individual or group health insurance in all the States of the United States and the District of Columbia. Clause (2) of the immediately preceding sentence shall not apply to enrollment in a plan sponsored by an association or other organization more than 50 per centum of the members of which are Federal employees or former Federal employees.

(c) In addition, the Government shall contribute an amount, as prescribed by the Commission, up to 2 per centum of each contribution authorized by subsection (a) of this section to the Retired Employees Health Benefits Fund, for payment of expenses incurred by the Commission in administering this Act.

ELECTIONS

SEC. 7. Each retired employee shall, within such time after March 1, 1961, as the Commission shall prescribe, notify the Commission of his election (1) to enroll in the plan provided under section 3 of this Act, (2) to enroll in or retain another health benefits plan and receive Government contributions under section 6 of this Act, or (3) not to participate in the program offered under this Act. If the retired employee elects to enroll under clause (2) of this section, his election shall be accompanied by a certificate of the carrier certifying the fact of his enrollment and the cost to him of the health benefits plan, or of the health benefits portion of the plan.

RETIRED EMPLOYEES HEALTH BENEFITS FUND

SEC. 8. (a) The withholdings of retired employees under section 5 of this Act and the contributions of the Government under sections 4 and 6 of this Act shall be deposited in the Retired Employees Health Benefits Fund, hereinafter referred to as the "Fund", which is hereby created and which shall be administered by the Commission.

(b) The Fund shall be available without fiscal year limitation for all payments on account of the health benefits plan negotiated under section 3 of this Act, for payment of the Government's contribution provided for by section 6(a) of this Act to agencies of the Government which administer a retirement system for civilian employees of the Government, and for payment of expenses, not to exceed the Government's contributions authorized by sections 4(b) and 6(b) of this Act, incurred by the Commission in administering this Act.

(c) Any dividends or other refunds made by the carrier under section 3 of this Act shall be set aside in the Fund as a contingency reserve for the Government-wide plan. Such contingency reserve may be used to defray increases in future rates of or to reduce the retired employees' and the Government's contributions to, or to increase the health benefits provided by that plan, as the Commission may from time to time determine.

(d) The Secretary of the Treasury is authorized to invest and reinvest any of the moneys in the Fund in interest-bearing obligations of the United States for the purposes of the Fund. The interest on and the proceeds from the sale of any such obligations shall become a part of the Fund.

ADMINISTRATION

SEC. 9. (a) The Commission shall administer this Act and prescribe such regulations as are necessary to give full effect to the purposes of this Act.

(b) Such regulations shall fix minimum standards to be met by the carrier and the plan under section 3 of this Act, including

extensions of coverage to be provided. The Commission may request all carriers to furnish such reasonable reports as the Commission determines to be necessary to enable it to carry out its functions under this Act. The carrier shall furnish such reports when requested and permit the Commission and representatives of the General Accounting Office to examine such records of the carriers as may be necessary to carry out the purposes of this Act.

(c) The Commission's regulations may include, but are not limited to, the following:

(1) exclusions of retired employees from coverage;

(2) beginning and ending dates of coverage, and conditions of eligibility;

(3) methods of filing the elections required by section 7 of this Act and other information;

(4) methods of making contributions authorized by section 6, and withholdings required by section 5 of this Act;

(5) changes in enrollment;

(6) questions of dependency;

(7) certificates and other information to be furnished to retired employees;

(8) contributions and withholding during periods of suspension of annuity payments and in other extraordinary situations;

(9) when, and under what conditions, an election not to participate in the programs offered under this Act may be withdrawn; and

(10) under what conditions and to what extent the cost of a plan shall be considered a cost attributable to the retired employee.

(d) Each agency of the United States or District of Columbia which administers a retirement system for annuitants shall keep such records, make such certifications, and furnish the Commission with such information and reports as may be necessary to enable the Commission to carry out its functions under this Act.

(e) There are hereby authorized to be expended from the Employees Life Insurance Fund, without regard to limitations on expenditures from that Fund, for any fiscal years from the date of enactment through the fiscal year ending June 30, 1962, inclusive, such sums as may be necessary to pay administrative expenses incurred by the Commission in carrying out the health benefits provisions of this Act. Reimbursements to the Employees Life Insurance Fund for sums so expended, together with interest at a rate to be determined by the Secretary of the Treasury, shall be made from the Retired Employees Health Benefits Fund which is hereby made available for this purpose.

EXEMPTION OF CERTAIN EMPLOYEE ORGANIZATIONS

SEC. 10. Any employee organization under this Act or as defined in section 2(1) of the Federal Employees Health Benefits Act of 1959 (73 Stat. 710; 5 U.S.C. 3003(3)) shall be exempt from the provisions of the Fire and Casualty Act (54 Stat. 1063; D.C. Code 35-1301 and the following).

APPROPRIATIONS

SEC. 11. The amounts authorized by this Act to be contributed by the Government shall be paid from annual appropriations which are hereby authorized to be made for such purpose.

ANNUAL REPORT

SEC. 12. The Commission shall transmit to the Congress annually a report concerning the operation of this Act.

EFFECTIVE DATE

SEC. 13. The health benefits program provided for by this Act shall take effect July 1, 1961. The contributions and withholdings provided for by this Act shall take effect on June 1, 1961, with respect to annuity or compensation accruing for periods beginning on and after that date.

Mr. JOHNSTON of South Carolina. Mr. President, I move that the Senate concur in the amendment of the House to the bill (S. 2575), to provide a health benefits program for certain retired employees of the Government, with the following amendments:

On page 11, strike out lines 3 through 8 of the House amendment and renumber sections 11 to 13, inclusive, as 10 to 12, respectively.

Mr. President, S. 2575, approved in the Senate on May 5, 1960, was designed to provide a health benefits program for the 450,000 former employees then on the retirement rolls. The Federal Employees Health Benefits Act of 1959 provided such a program for active employees and employees who will retire in the future, but it did not apply to former employees already retired.

The committee was unanimous in its belief that these former employees were entitled to the same sympathetic consideration as present employees will receive when they retire. However, because of the problems involved, it was deemed advisable to provide a program for retirees in a separate bill.

The bill as passed in the Senate and as amended in the House does not differ as to objective. The language is different and some of the technical aspects of the program are handled differently, but in general the differences are not of major consequence.

There is one exception that is worthy of mention. The bill passed in the Senate would have become effective January 1, 1961. Because of opposition by the administration this was changed in the House to July 1, 1961. I regret that due to the position of the administration this delay was necessary. For this reason, I think the Senate would be well advised to accept the bill as amended in the House except for the amendment I have offered.

The amendment deletes from the bill a section that has nothing to do with providing a health benefits program for persons already retired. It relates to another problem entirely. As a matter of fact, the problem to which it relates is within the jurisdiction of the District Committee.

I have in my hand a letter from the chairman of the District of Columbia Committee in which he requests adoption of the amendment dealing with the District matter with respect to which I have just made a motion. I should like to have his letter printed in the RECORD at this point in my remarks.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

U.S. SENATE,
COMMITTEE ON THE DISTRICT
OF COLUMBIA,
August 25, 1960.

Hon. OLIN D. JOHNSTON,
Chairman, Senate Post Office and Civil Service Committee, Senate Office Building,
Washington, D.C.

DEAR OLIN: This is in further reference to my letter of August 23 advising your committee of the unfavorable report filed by this committee with reference to section 3 of H.R. 8289, concerning whether or not certain Federal employee organizations

should be exempt from the insurance laws of the District of Columbia.

Since the identical language of section 3 of H.R. 8289, exempting certain Federal employee organizations from District of Columbia insurance laws, is likewise contained in section 10 of S. 2575, as amended by the House, and now before the Senate, please be advised that this committee will be constrained to file an objection to the passage of S. 2575 with the inclusion of section 10.

This committee has consistently taken the position on all similarly related legislation that insurance companies in the District of Columbia should come within the purview of the insurance laws of the District of Columbia.

Please accept my best wishes.

Cordially,

ALAN BIBLE.

Mr. CARLSON. Mr. President, will the Senator yield?

Mr. JOHNSTON of South Carolina. I should like to say for the information of the Senate that the bill has been cleared through the Democratic policy committee and also the Republican policy committee. The ranking Republican member of the committee, the junior Senator from Kansas [Mr. CARLSON] is in the Chamber at this time and I think he would like to say something. I yield to him.

Mr. CARLSON. Mr. President, I hope the Senate will approve the motion of the Senator from South Carolina to concur in the House amendment with certain amendments, proposed by the chairman of the Committee on Post Office and Civil Service. We discussed this matter in committee, and I believe the retired employees last year were very greatly disappointed that they were not included in the Health Benefits Act of 1959. They felt that they were discriminated against, and I think rightly so.

The Federal Employees Health Benefits Act of 1959 provided a worthwhile and long-overdue program of prepaid health benefits for persons on the roll and employees with specified length of service who retired after the effective date of the bill.

The bill became effective in July of this year. Employees who retired prior to the effective date of the bill and former employees already on the retirement roll were not covered. The pending measure is designed to provide a health benefit program along comparable lines to these former retirees and these former employees already retired.

I am happy to be able to support the pending bill for I think it is long overdue. Furthermore, I think that these former retirees are entitled to the same consideration from the Government as present employees who will retire in the future.

Mr. JOHNSTON of South Carolina. I thank the Senator from Kansas for his remarks.

Mr. JORDAN. Mr. President, will the Senator yield?

Mr. JOHNSTON of South Carolina. I yield to the Senator from North Carolina.

Mr. JORDAN. Mr. President, the measure under consideration will extend to our 415,000 former employees now

on the retirement roll a health benefits program somewhat comparable to the plan adopted last year for active employees and employees who will retire in the future.

The original Senate bill and the bill as amended in the House, while containing somewhat different language, have the same objective. This is not the time to quibble over words. For this reason, I am happy to support the bill as amended in the House. The important thing to me is the fact that we are on the verge of enacting a long-overdue health benefits plan for our retirees.

I am glad to support the measure at this time.

Mr. JOHNSTON of South Carolina. I thank the Senator.

Mr. YARBOROUGH. Mr. President, will the Senator yield?

Mr. JOHNSTON of South Carolina. I yield to the Senator from Texas, who is a member of the subcommittee.

Mr. YARBOROUGH. Mr. President, I rise in support of the pending motion, having been a member of the subcommittee which held the original hearings. I wish to pay tribute particularly to the distinguished senior Senator from South Carolina and to the late Richard Neuberger, of Oregon. Their leadership was vital in the final completion of the measure before the Senate Post Office and Civil Service Committee.

At the time the general health and retirement bill for Federal employees was passed, the retired employees felt very keenly that they had been excluded from the law. Actually, Congress and the committee were sympathetic to their claims, but actuarially, due to their age, it was not feasible to include them in the same type of hospitalization plan that was available for Federal officials and employees generally.

Additional hearings had to be held. Additional actuarial statistics were prepared, on the basis of the age of the retired employees, and a different plan was devised. It is not quite as favorable as the plan for Federal employees, because the retired employees are not young enough to receive the benefits of the more favorable terms that younger people could obtain. We were forced to defer consideration of this measure.

Though the general Federal Employees Retirement Act was effective on July 1 of this year, the effective date of the present measure was deferred until 1961 because of the problem of first setting up the fund and getting the plan into operation to cover the more than 400,000 retired Federal employees, who by deductions from their retirement pay, will themselves contribute to the fund. It will be a type of medical care insurance similar to that the Federal employees have. Money will be deducted from the checks of retired employees every month in order to pay their part.

I am grateful for the privilege of serving on this committee under the leadership of the distinguished Senator from South Carolina, whose drive has meant so much in carrying this plan forward, to see that these elderly people receive

the measure of justice to which they are entitled.

I again wish to pay tribute to him and to the late Senator Neuberger, who did so much on the bill to see that it was brought to the stage that it had reached before he was untimely taken away from us.

Mr. JAVITS. Mr. President, I am gratified that this problem is being resolved. We have a very large population of both civil service employees and retired employees in New York State. Many of them have been interested in the subject, and we have had a deal deal of correspondence on it. The Senator's initiative in trying to resolve the problem will be very widely appreciated, and I thank the Senator.

Mr. JOHNSTON of South Carolina. I thank the Senator from New York, and also the Senator from Texas [Mr. YARBOROUGH], who has spoken. He worked tirelessly on the bill in committee. He should be given a great deal of the credit for the passage of the bill.

I wish to thank also every member of the committee, both Democrat and Republican. They were unanimous in this matter. It was not an easy task, when we consider the great number of people who are involved, to determine how to draw up a health benefits program. That is why it will take a great deal of study from the administrative end in order to put it into effect, and that is why it is necessary to have it go into effect on July 1 of next year.

Mr. CARLSON. Mr. President, the Senator from South Carolina has complimented the members of the committee, both majority and minority members. I wish to compliment him for his outstanding leadership. I wish also to compliment the staff for its excellent staff work. We have also had support from the Civil Service Committee. It was a difficult bill to write. We should be proud of the fact that we have been able to get to a resolution of the problem.

Mr. JOHNSTON of South Carolina. I thank the Senator, the ranking minority member of the committee, for his remarks. I, too, agree thoroughly that the staff work has been excellent. After we adjourned last year the staff continued their work. They should be commended for their work. Sometimes we have a tendency to forget those laborers who are not Senators or Representatives. They do faithful work behind closed doors in the committee. I, too, therefore, wish to commend the staff for its work on this matter.

The PRESIDING OFFICER (Mr. HOLLAND in the chair). The question is on agreeing to the amendment offered by the senior Senator from South Carolina to the amendment of the House of Representatives.

The amendment was agreed to.

The PRESIDING OFFICER. The question now is on concurring in the amendment of the House, as amended by the amendment of the Senator from South Carolina.

The amendment of the House, as amended, was concurred in.

VISIT TO THE SENATE BY HON.
ELLEN STRANGE PETERSEN, MEM-
BER OF PARLIAMENT OF DEN-
MARK

Mr. MORSE. Mr. President, as a member of the Foreign Relations Committee, it is my privilege and honor to present to the Senate this afternoon a visiting parliamentarian from a very friendly nation and great ally of ours, Denmark. Our visitor this afternoon is 1 of 19 women in the Denmark Parliament of 179 Members. She has been in the Parliament since 1958. It is my pleasure to present to the Senate Miss Ellen Strange Petersen, of the Denmark Parliament. [Applause, Senators rising.]

PROPOSED AMENDMENT OF RULE
III AND RULE VII OF THE STAND-
ING RULES OF THE SENATE

Mr. CLARK. Mr. President, I send to the desk for appropriate referral two resolutions, one amending paragraph 1 of rule III of the Standing Rules of the Senate, and the other amending rule VII of the Standing Rules of the Senate, by adding an additional paragraph. I ask that the resolutions may be appropriately referred.

The first resolution would eliminate the requirement that the Journal of the preceding day be read if one Senator requests it, and the second would regulate the transaction of morning business to provide a regular morning hour for such business each day and limit individual speeches during the morning hour to 3 minutes each.

The rule that the Journal of the preceding day be read if one Senator requests it is a complete anachronism. The rule was established long before the Government Printing Office perfected the art of printing each day's proceedings within a few hours of adjournment. There is absolutely no reason why any Senator should demand the reading of the previous day's Journal under existing circumstances.

All Senators will recall occasions on which the reading of the Journal has been used to delay for several hours the Senate's consideration of urgent legislative matters. All Senators will recall other occasions on which the leadership has been forced to recess the Senate at the end of a day rather than adjourn it so that it will not be possible for a dissident Member to ask for the Journal reading the following morning and delay the debate on an important measure. The present Journal reading rule serves no valid purpose and should be amended.

The other rule change I am suggesting today—to regulate the transaction of morning business—is also intended to speed Senate business. The term "morning hour" is a misnomer under our present practice. It is well known that 2 hours, from noon to 2 p.m., are frequently used for morning business on new legislative days. I suggest that we limit morning business to 1 hour daily, unless a majority of Senators vote to extend the period, and that the 3-minute limit on individual speeches which is a custom now honored as much in

the breach as in the observance, be written into the Senate rules. The morning hour is a valuable and appropriate time for the delivery of remarks by Senators on current events and other miscellaneous business. My proposed rule would make it impossible for one Senator to block the holding of a morning hour daily even if the Senate is meeting in recessed or continuous session, and yet it would curtail the overall time spent on matters nongermane to the pending bill or resolution.

I ask unanimous consent that the resolutions I have introduced may lie on the table until the close of Senate business on Monday of next week, in order that additional Senators who may desire to do so may have the opportunity to cosponsor the resolutions.

The PRESIDING OFFICER. The resolution will be received and appropriately referred; and, without objection, the resolution will lie on the desk, as requested by the Senator from Pennsylvania.

The resolution (S. Res. 377) was referred to the Committee on Rules and Administration, as follows:

Resolved, That paragraph numbered 1 of rule III of the Standing Rules of the Senate (relating to the commencement of daily sessions) is amended to read as follows: "The Presiding Officer having taken the chair, and a quorum being present, motions to correct any mistakes made in the entries of the Journal of the preceding day shall be in order, and any such motion shall be deemed a privileged question, and proceeded with until disposed of. Unless a motion to read the Journal of the preceding day, which is nondebatable, is made and passed by majority vote, the Journal shall be deemed to have been read without actual recitation and approved."

The PRESIDING OFFICER. The resolution will be received and appropriately referred; and, without objection, the resolution will lie on the desk, as requested by the Senator from Pennsylvania.

The resolution (S. Res. 378) was referred to the Committee on Rules and Administration, as follows:

Resolved, That rule VII of the Standing Rules of the Senate (relating to morning business) is amended by adding at the end thereof the following new paragraph:

"8. One hour, if that much time be needed, shall be set aside for the transaction of morning business on each calendar day at the opening of proceedings or, if the Senate is in continuous, around-the-clock session, at noon. The period for morning business may be extended upon motion, which shall be nondebatable, approved by majority action. No Senator may address the Senate for more than three minutes during the period for morning business, unless he has obtained leave by unanimous consent to address the Senate for a longer time."

AREA REDEVELOPMENT HEARINGS

Mr. DOUGLAS. Mr. President, the Republican administration, through its spokesman, Secretary of Commerce Mueller, has again vetoed our efforts to enact an effective area redevelopment law.

In testimony before the Senate Subcommittee on Production and Stabilization on August 18, the administration

closed the door on any chances we may have had to salvage a good bill in this Congress:

First. Secretary of Commerce Mueller took a take-it-or-leave-it attitude toward the administration's veto earlier this year.

Second. The ranking Republican member of the committee, Senator CAPEHART, stated in reference to the administration's own legislative proposals, "I am opposed to the legislation."

Third. The Republican Party is obviously playing politics with the issue by releasing incorrect information and half truths through political candidates.

At the hearings held recently, I stated:

I am still willing to negotiate with administration representatives who are authorized to speak for the administration. If there is an administration spokesman who can tell us (1) whether the President would sign an effective bill into law at this time, and (2) whether the administration would lend active and timely assistance in lining up Republican congressional support, such as on the House Rules Committee, to ensure passage of the bill, then we might succeed in an 11th-hour effort to pass a bill this year.

Otherwise, it would be unfair to hold out hope at this time to the thousands of Americans in areas of substantial and persistent unemployment who have been waiting for us to find some meaningful and responsible way of overcoming Presidential vetoes of area redevelopment bills.

The hearings proved conclusively that the administration would rather have no bill at all than to give an inch on the following important features of the area redevelopment bill:

First. The administration refuses any kind of assistance to distressed rural areas.

Second. The administration was opposed to any loan program for public facilities such as industrial water and industrial parks. The only program they would back is the one now being administered by the Housing and Home Finance Agency, which is a high interest rate program that was never intended to promote industrial redevelopment.

Third. The administration opposed any grants for public facilities for communities that are too distressed to finance a loan program in whole or in part.

Fourth. The administration is opposed to any Government loan in excess of 35 percent of the value of land and buildings, even though it must know that this limitation makes its loan program an empty gesture in many communities.

Fifth. The administration refuses to include machinery and equipment in planning for industrial redevelopment, even though, according to the administration's own figures, the cost of equipment is 60 percent of the total.

Sixth. The administration is blind to the realities of the retraining problem by refusing to authorize subsistence payments for the unemployed while undergoing retraining.

Moreover, in addition to the substance of the bill, the Secretary of Commerce refused to pledge any cooperation in seeking the support of the Republican members of the House Rules Commit-

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8. IMPORTS. Senate and House conferees were appointed on H.R. 12659, to suspend for a temporary period the import duty on heptanoic acid. pp. 16884, 16951
9. FOREIGN SERVICE. Both Houses agreed to the conference report on S. 2633, to amend the Foreign Service Act of 1946 relating to Foreign Service Staff officers and to the Foreign Service retirement system (pp. 16884-5, 16929-31). This bill will now be sent to the President.
10. LANDS; SOIL SURVEY. Received from Interior a report that an adequate soil survey and land reclassification has been made of the lands in the La Feria division, lower Rio Grande rehabilitation project, Tex., and that the lands to be irrigated are susceptible to the production of agricultural crops. p. 16864
11. FORESTS. Agreed to a request by Sen. McGee to have printed as a Senate document a report being prepared by the Forest Service at his request, "National Forests in Wyoming - Basic Facts." p. 16877
12. LEGISLATIVE PROGRAM. Sen. Mansfield announced that the following bills have been cleared for consideration, if time permits, within the next few days: H. R. 12759, to extend the Mexican farm labor program, and S. 3421, to amend the Federal Employees' Group Life Insurance Act so as to provide authority for the Civil Service Commission to determine claimants if no claim is filed for benefits. pp. 16908-9

HOUSE

13. MILK PRICE SUPPORTS. The Agriculture Committee reported without amendment S. 2917, to increase the price-support level for manufacturing milk and butterfat for the remainder of the current marketing year, from the date of enactment of the bill until Mar. 31, 1961, to not less than \$3.22 per hundredweight for manufacturing milk and not less than 59.6 cents per pound for butterfat (H. Rept. 2182). p. 16989
14. SUGAR. The Agriculture Committee reported with amendment H.R. 13062, to extend the Sugar Act of 1948 (H. Rept. 2200). p. 16989
15. PERSONNEL. Agreed to a Senate amendment to S. 2575, to provide a health benefits program for certain retired employees of the Government. This bill will now be sent to the President. pp. 16931-2
16. PUBLIC HEALTH. Agreed to the conference report on H. R. 6871, to amend the Public Health Service Act so as to authorize project grants for graduate training in public health. This bill will now be sent to the President. p. 16932
17. PUBLIC LAW 480; CONSERVATION PAYMENTS. The Agriculture Committee voted to report (but did not actually report) the following bills: p. D732
S. 2761, to validate certain payments for farmers for emergency conservation work in Oregon which the Comptroller General has held were not authorized by the Third Supplemental Appropriation Act of 1957, inasmuch as the conservation practices were performed prior to its enactment;
H. R. 12720 (amended), to amend the Agricultural Trade Development and Assistance Act of 1954.
18. WATERSHEDS. The Agriculture Committee approved watershed projects in Colo., Ca., Hawaii, Miss., N. Mex., Md., Okla., and Va. p. D732
The Public Works Committee approved three watershed projects in Okla., and one in Mich. p. 16926

19. LANDS; MINERALS. The Interior and Insular Affairs Committee reported the following bills: p. 16989
S. 1670, with amendment, to provide for the granting of mineral rights in certain homestead lands in Alaska (H.Rept. 2192);
S. 2757, with amendment, to supplement the Act of June 14, 1926, to permit any State to acquire certain public lands for recreation use (H. Rept. 2194);
S. 3267, with amendment, to amend the act of Oct. 17, 1940, relating to the disposition of certain public lands in Alaska (H. Rept. 2196).
20. FARM PROGRAM. Rep. Chamberlain inserted an article, "Where the Blame Really Belongs", which places the blame for agricultural surpluses on "programs inherited by this administration, plus new programs that had to be initiated by this administration to offset inherited problems." p. 16951
Rep. Rhodes, Ariz., criticized the Democratic platform statement on farm policy and inserted "19...efforts and accomplishments of President Eisenhower to cope effectively with the farm problem..." pp. 16953-4
Rep. Randall criticized this Department and the administration for "further lowering of price supports, removal of production controls and additional public funds for research and education" and urged development of a "farm program which permits farmers to gear their production to available markets and reduces Government costs." p. 16967
21. BEEF AND PORK IMPORTS. Rep. Wolf criticized administration of the Reciprocal Trade Agreements Act particularly in respect to the importing of red meat, stating that the "intent of the framers of this law is being violated because of... a misunderstanding of the purpose of the act." pp. 16968-9
22. SOIL BANK. Rep. Smith, Ia., criticized the soil bank program, and in particular a proposal to extend it to include an additional 60 or 70 million acres, stating that to achieve the objectives stated in the proposal 133 million acres would be required. In addition he stated that "vast resources of the Department of Agriculture for analyzing programs and making estimates are being wasted by only projecting the views that coincide with conclusions of the Secretary and the President." pp. 16969-70
23. WHEAT. Rep. Latta criticized Congress for not passing his wheat proposal which would "authorize the Secretary of Agriculture to remove marketing quotas and controls from the production of any class of wheat whenever, prior to June 1 of any year, he determines that the production of such class will not exceed the estimated normal supply by less than a given percentage fixed by Congress." p. 16987

ITEMS IN APPENDIX

24. SOIL CONSERVATION; PERSONNEL. Extension of remarks of Rep. Jensen paying tribute to "the memory of one of our greatest Americans, Hugh Hammond Bennett, man of the soil." p. A6469
25. WATER RESEARCH. Sen. Yarborough inserted an article, "Solar Distillery Problem Solved--Will Reduce Cost of Making Water from Sea Drinkable." pp. A6470-1
26. RURAL DEVELOPMENT. Extension of remarks of Sen. Scott inserting this Department's letter to the Senate Banking and Currency Committee and stating that it gives a "State by State breakdown of the excellent progress being made under this program." pp. A6477-8
27. SUGAR. Rep. Flood inserted an article, "Bounty Held Key to Crisis in Sugar--Financial Experts Say That Juggling of Quotas is an Impractical Method." pp. A6500-1

Mr. HOFFMAN of Michigan. I understand you are merely talking about what the House committee might do and not what the Senate committee might do when you are over there.

Mr. BENTLEY. Oh, no; as far as the House is concerned, we have the responsibility, basically, for Foreign Service legislation, but I have no idea what ideas the other body might have on such bills.

Mr. HOFFMAN of Michigan. Probably you can advise us after the first of the year.

Mr. BENTLEY. I hope to have the privilege, I will say to the gentleman, and I can be grateful for his confident prediction that such a privilege will be mine.

Mr. HAYS. Mr. Speaker, I move the previous question.

The previous question was ordered.

The SPEAKER pro tempore (Mr. WALTER). The question is on agreeing to the conference report.

The conference report was agreed to.

A motion to reconsider was laid on the table.

HEALTH BENEFITS FOR CERTAIN RETIRED GOVERNMENT EMPLOYEES

Mr. MORRISON. Mr. Speaker, I ask unanimous consent to take from the Speaker's table the bill (S. 2575) to provide a health benefits program for certain retired employees of the Government, with an amendment of the House thereto, and agree to the House amendment.

The Clerk read the title of the bill.

The Clerk read the amendment, as follows:

Strike out all after the enacting clause and insert: "That this Act may be cited as the 'Retired Federal Employees Health Benefits Act'."

"DEFINITIONS

"SEC. 2. As used in this Act—

"(1) The terms 'employee', 'Government', 'member of family', and 'Commission' have the same meanings, when used in this Act as such terms have when used in the Federal Employees Health Benefits Act of 1959.

"(2) 'Health benefits plan' means an insurance policy or contract, medical or hospital service arrangement, membership or subscription contract, or similar agreement provided by a carrier for a stated periodic premium or subscription charge for the purpose of providing, paying for, or reimbursing expenses for hospital care, surgical or medical diagnosis, care, and treatment, drugs and medicines, remedial care, or other medical supplies and services, or any combination of these.

"(3) 'Retired employee' means any person who would be an annuitant as that term is defined in the Federal Employees Health Benefits Act of 1959 if the contribution and enrollment provisions of that Act had been in effect on the date the person became an annuitant, but does not include any person who was a noncitizen whose permanent-duty station was outside a State of the United States or the District of Columbia on the day before he became an annuitant.

"(4) 'Carrier' means a voluntary association, corporation, partnership, or other non-governmental organization which lawfully offers a health benefits plan.

"GOVERNMENT-WIDE PLAN

"SEC. 3. (a) The Commission shall, with- out regard to section 3709 of the Revised

Statutes or any other provision of law requiring competitive bidding, enter into a contract with a qualified carrier for one uniform Government-wide health benefits plan for retired employees. Such contract shall be for a period of at least one year and shall be automatically renewable in the absence of notice of termination by either party. The carrier shall, if the Commission so directs, cede reinsurance to such other companies which regularly issue group health insurance as may elect to participate or shall allocate its rights and obligations under the contract among such of its affiliates as may elect to participate in accordance with an equitable formula to be determined by the carrier and approved by the Commission. The contracting carrier, if an insurance company, shall be licensed to issue group health insurance in all the States of the United States and the District of Columbia and shall, in the most recent year for which data are available, have made at least 1 per centum of all group health insurance benefit payments in the United States.

"(b) The contract under this Act shall contain a detailed statement of the benefits offered and shall include such maximums, limitations, exclusions, and other definitions of benefits as the Commission may deem necessary or desirable. No person may be excluded because of race, sex, health status, or age, and the contract may not deny or limit benefits because of any preexisting condition.

"(c) The rates charged for the health benefits plan described in subsection (a) of this section shall reasonably and equitably reflect the cost of the benefits provided. Rates determined for the first term shall be adjusted for subsequent terms on the basis of experience. The Commission shall prescribe the extent to which reserves due to favorable experience may be retained by the carrier. Such reserves shall in any case be retained for the benefit of retired employees enrolled thereunder, and members of their families.

"CONTRIBUTIONS

"SEC. 4. (a) If a retired employee enrolls in the health benefits plan provided for by section 3 of this Act, the Government shall contribute toward his subscription charge such amounts as the Commission by regulation may from time to time prescribe. The amount so prescribed, if the employee is enrolled for self only, shall not be less than \$3.00 monthly or more than \$4.00 monthly. The amount to be prescribed for a retired employee enrolled for self and family shall be twice the contribution for one enrolled for self only. A retired employee may not receive a Government contribution for more than one plan, nor may a retired employee receive a Government contribution if he is covered under the enrollment of another employee or retired employee who is receiving a Government contribution toward his enrollment.

"(b) In addition, the Government shall contribute an amount, as prescribed by the Commission, up to 2 per centum of each contribution authorized by subsection (a) of this section to the Retired Employees Health Benefits Fund, for payment of expenses incurred by the Commission in administering this Act.

"WITHHOLDING

"SEC. 5. There shall be withheld from the annuity or compensation of each retired employee enrolled in the health benefits plan provided for under section 3 of this Act so much as is necessary, after deducting the contribution of the Government, to pay the total charge for his enrollment.

"OTHER HEALTH BENEFITS PLANS

"SEC. 6. (a) Subject to subsection (b) of this section, a retired employee who elects to

obtain a health benefits plan, or to retain an existing health benefits plan, other than the plan provided for under section 3 of this Act, directly with a carrier, shall be paid a Government contribution to the cost of his health benefits plan which shall be equal in amount to the appropriate Government contribution established by the Commission pursuant to section 4(a) of this Act, but may not exceed the cost to him of the health benefits plan in which he is enrolled or which he retains or, if the plan combines health benefits with other benefits, shall not exceed the cost to him of the premium fixed by the carrier for the health benefits portion of the plan in which he is enrolled or which he retains. A retired employee may not receive a Government contribution for more than one plan, nor may a retired employee receive a Government contribution if he is covered under the enrollment of another employee or retired employee who is receiving a Government contribution toward his enrollment.

"(b) A retired employee who enrolls in a plan shall be entitled to the Government contribution provided by this section only if the carrier of the plan (1) has been providing health benefits for at least one year and (2), if an insurance company, is licensed to issue individual or group health insurance in all the States of the United States and the District of Columbia. Clause (2) of the immediately preceding sentence shall not apply to enrollment in a plan sponsored by an association or other organization more than 50 per centum of the members of which are Federal employees or former Federal employees.

"(c) In addition, the Government shall contribute an amount, as prescribed by the Commission, up to 2 per centum of each contribution authorized by subsection (a) of this section to the Retired Employees Health Benefits Fund, for payment of expenses incurred by the Commission in administering this Act.

"ELECTIONS

"SEC. 7. Each retired employee shall, within such time after March 1, 1961, as the Commission shall prescribe, notify the Commission of his election (1) to enroll in the plan provided under section 3 of this Act, (2) to enroll in or retain another health benefits plan and receive Government contributions under section 6 of this Act, or (3) not to participate in the program offered under this Act. If the retired employee elects to enroll under clause (2) of this section, his election shall be accompanied by a certificate of the carrier certifying the fact of his enrollment and the cost to him of the health benefits plan, or of the health benefits portion of the plan.

"RETIRED EMPLOYEES HEALTH BENEFITS FUND

"SEC. 8. (a) The withholdings of retired employees under section 5 of this Act and the contributions of the Government under sections 4 and 6 of this Act shall be deposited in the Retired Employees Health Benefits Fund, hereinafter referred to as the 'Fund', which is hereby created and which shall be administered by the Commission.

"(b) The Fund shall be available without fiscal year limitation for all payments on account of the health benefits plan negotiated under section 3 of this Act, for payment of the Government's contribution provided for by section 6(a) of this Act to agencies of the Government which administer a retirement system for civilian employees of the Government, and for payment of expenses, not to exceed the Government's contributions authorized by sections 4(b) and 6(b) of this Act, incurred by the Commission in administering this Act.

"(c) Any dividends or other refunds made by the carrier under section 3 of this Act shall be set aside in the Fund as a contingency reserve for the Government-wide

plan. Such contingency reserve may be used to defray increases in future rates of or to reduce the retired employees' and the Government's contributions to, or to increase the health benefits provided by that plan, as the Commission may from time to time determine.

"(d) The Secretary of the Treasury is authorized to invest and reinvest any of the moneys in the Fund in interest-bearing obligations of the United States for the purposes of the Fund. The interest on the proceeds from the sale of any such obligations shall become a part of the Fund.

"ADMINISTRATION

"SEC. 9. (a) The Commission shall administer this Act and prescribe such regulations as are necessary to give full effect to the purposes of this Act.

"(b) Such regulations shall fix minimum standards to be met by the carrier and the plan under section 3 of this Act, including extensions of coverage to be provided. The Commission may request all carriers to furnish such reasonable reports as the Commission determines to be necessary to enable it to carry out its functions under this Act. The carrier shall furnish such reports when requested and permit the Commission and representatives of the General Accounting Office to examine such records of the carriers as may be necessary to carry out the purposes of this Act.

"(c) The Commission's regulations may include, but are not limited to, the following:

"(1) exclusions of retired employees from coverage;

"(2) beginning and ending dates of coverage, and conditions of eligibility;

"(3) methods of filing the elections required by section 7 of this Act and other information;

"(4) methods of making contributions authorized by section 6, and withholdings required by section 5 of this Act;

"(5) changes in enrollment;

"(6) questions of dependency;

"(7) certificates and other information to be furnished to retired employees;

"(8) contributions and withholding during periods of suspension of annuity payments and in other extraordinary situations;

"(9) when, and under what conditions, an election not to participate in the programs offered under this Act may be withdrawn; and

"(10) under what conditions and to what extent the cost of a plan shall be considered a cost attributable to the retired employee.

"(d) Each agency of the United States or the District of Columbia which administers a retirement system for annuitants shall keep such records, make such certifications, and furnish the Commission with such information and reports as may be necessary to enable the Commission to carry out its functions under this Act.

"(e) There are hereby authorized to be expended from the Employees Life Insurance Fund, without regard to limitations on expenditures from that Fund, for any fiscal years from the date of enactment through the fiscal year ending June 30, 1962, inclusive, such sums as may be necessary to pay administrative expenses incurred by the Commission in carrying out the health benefits provisions of this Act. Reimbursements to the Employees Life Insurance Fund for sums so expended, together with interest at a rate to be determined by the Secretary of the Treasury, shall be made from the Retired Employees Health Benefits Fund which is hereby made available for this purpose.

"EXEMPTION OF CERTAIN EMPLOYEE ORGANIZATIONS

"SEC. 10. Any employee organization under this Act or as defined in section 2(1) of the Federal Employees Health Benefits Act of 1959 (73 Stat. 710; 5 U.S.C. 3003(3)) shall

be exempt from the provisions of the Fire and Casualty Act (54 Stat. 1063; D.C. Code 35-1301 and the following).

"APPROPRIATIONS

"SEC. 11. The amounts authorized by this Act to be contributed by the Government shall be paid from annual appropriations which are hereby authorized to be made for such purpose.

"ANNUAL REPORT

"SEC. 12. The Commission shall transmit to the Congress annually a report concerning the operation of this Act.

"EFFECTIVE DATE

"SEC. 13. The health benefits program provided for by this Act shall take effect July 1, 1961. The contributions and withholdings provided for by this Act shall take effect on June 1, 1961, with respect to annuity or compensation accruing for periods beginning on and after that date."

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Louisiana?

Mr. SCHERER. Mr. Speaker, reserving the right to object, may I ask the gentleman whether this is a matter on which you have had an agreement with the minority leader?

Mr. MORRISON. Yes.

Mr. SCHERER. Mr. Speaker, I withdraw my reservation of objection.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Louisiana?

There was no objection.

The amendment was agreed to.

A motion to reconsider was laid on the table.

AMENDING MERCHANT MARINE ACT OF 1936

Mr. COLMER, from the Committee on Rules, reported the following privileged resolution (H. Res. 633, Rept. No. 2183) which was referred to the House Calendar and ordered to be printed:

Resolved, That upon the adoption of this resolution it shall be in order to move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (H.R. 8093) to amend the Merchant Marine Act, 1936, in order to eliminate the 6 per centum differential applying to certain bids of Pacific coast shipbuilders. After general debate, which shall be confined to the bill, and shall continue not to exceed 2 hours, to be equally divided and controlled by the chairman and ranking minority members of the Committee on Merchant Marine and Fisheries, the bill shall be read for amendment under the 5-minute rule. At the conclusion of the consideration of the bill for amendment, the Committee shall rise and report the bill to the House with such amendments as may have been adopted, and the previous question shall be considered as ordered on the bill and amendments thereto to final passage without intervening motion except one motion to recommit.

PROJECT GRANTS FOR GRADUATE TRAINING IN PUBLIC HEALTH

Mr. ROBERTS. Mr. Speaker, I call up the conference report on the bill (H.R. 6871) to amend title III of the Public Health Service Act, to authorize project grants for graduate training in public health, and for other purposes, and ask unanimous consent that the statement

of the managers on the part of the House be read in lieu of the report.

The Clerk read the title of the bill.

The SPEAKER. Is there objection to the request of the gentleman from Alabama?

There was no objection.

The Clerk read the statement.

(For conference report and statement, see proceedings of the House of August 25, 1960.)

Mr. ROBERTS. Mr. Speaker, I yield myself such time as I may require.

Mr. Speaker, to explain the matter briefly, the bill passed by the House was amended by the other body. The conferees on the part of the House were able to get the original House passed bill adopted by the conference. It was unanimous and there was no disagreement on the part of the conferees. It has been cleared on both sides of the aisle. I hope the conference report will be approved by the House.

The SPEAKER pro tempore. The question is on agreeing to the conference report.

The conference report was agreed to.

A motion to reconsider was laid on the table.

DISTRICT OF COLUMBIA LEGISLATION

The SPEAKER pro tempore. This is the day for District of Columbia business.

RETIREMENT COMPENSATION OF CERTAIN FORMER MEMBERS OF METROPOLITAN POLICE FORCE, FIRE DEPARTMENT OF THE DIS- TRICT OF COLUMBIA, U.S. PARK POLICE FORCE AND WHITE HOUSE POLICE FORCE, AND THE U.S. SECRET SERVICE AND OF THEIR WIDOWS, WIDOWERS, AND CHIL- DREN

Mr. McMILLAN. Mr. Speaker, by direction of the Committee on the District of Columbia, I call up H.R. 12775, to increase the relief or retirement compensation of certain former members of the Metropolitan Police force, the Fire Department of the District of Columbia, the U.S. Park Police force, the White House Police force, and the U.S. Secret Service; and of their widows, widowers, and children, and ask unanimous consent that the same be considered in the House as in the Committee of the Whole.

The Clerk read the title of the bill.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from South Carolina?

There was no objection.

The Clerk read the bill as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) the amount of relief or retirement compensation payable to each person who, immediately before the effective date of the Police-men and Firemen's Retirement and Disability Act Amendments of 1957, was receiving, or was entitled to receive, relief or retirement compensation from the District of Columbia by reason of his service as an officer or member of the Metropolitan Police

Public Law 86-724
86th Congress, S. 2575
September 8, 1960

AN ACT

74 STAT. 849.

To provide a health benefits program for certain retired employees of the Government.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Retired Federal Employees Health Benefits Act".

Retired Federal
Employees Health
Benefits Act.

DEFINITIONS

SEC. 2. As used in this Act—

(1) The terms "employee", "Government", "member of family", and "Commission" have the same meanings, when used in this Act as such terms have when used in the Federal Employees Health Benefits Act of 1959.

73 Stat. 708.
5 USC 3001
note.

(2) "Health benefits plan" means an insurance policy or contract, medical or hospital service arrangement, membership or subscription contract, or similar agreement provided by a carrier for a stated periodic premium or subscription charge for the purpose of providing, paying for, or reimbursing expenses for hospital care, surgical or medical diagnosis, care, and treatment; drugs and medicines, remedial care, or other medical supplies and services, or any combination of these.

(3) "Retired employee" means any person who would be an annuitant as that term is defined in the Federal Employees Health Benefits Act of 1959 if the contribution and enrollment provisions of that Act had been in effect on the date the person became an annuitant, but does not include any person who was a noncitizen whose permanent-duty station was outside a State of the United States or the District of Columbia on the day before he became an annuitant.

(4) "Carrier" means a voluntary association, corporation, partnership, or other nongovernmental organization which lawfully offers a health benefits plan.

GOVERNMENT-WIDE PLAN

SEC. 3. (a) The Commission shall, without regard to section 3709 of the Revised Statutes or any other provision of law requiring competitive bidding, enter into a contract with a qualified carrier for one uniform Government-wide health benefits plan for retired employees. Such contract shall be for a period of at least one year and shall be automatically renewable in the absence of notice of termination by either party. The carrier shall, if the Commission so directs, cede reinsurance to such other companies which regularly issue group health insurance as may elect to participate or shall allocate its rights and obligations under the contract among such of its affiliates as may elect to participate in accordance with an equitable formula to be determined by the carrier and approved by the Commission. The contracting carrier, if an insurance company, shall be licensed to issue group health insurance in all the States of the United States and the District of Columbia and shall, in the most recent year for which data are available, have made at least 1 per centum of all group health insurance benefit payments in the United States.

41 USC 5.

(b) The contract under this Act shall contain a detailed statement of the benefits offered and shall include such maximums, limitations, exclusions, and other definitions of benefits as the Commission may deem necessary or desirable. No person may be excluded because of race, sex, health status, or age, and the contract may not deny or limit benefits because of any preexisting condition.

(c) The rates charged for the health benefits plan described in subsection (a) of this section shall reasonably and equitably reflect the cost of the benefits provided. Rates determined for the first term shall be adjusted for subsequent terms on the basis of experience. The Commission shall prescribe the extent to which reserves due to favorable experience may be retained by the carrier. Such reserves shall in any case be retained for the benefit of retired employees enrolled thereunder, and members of their families.

CONTRIBUTIONS

SEC. 4. (a) If a retired employee enrolls in the health benefits plan provided for by section 3 of this Act, the Government shall contribute toward his subscription charge such amounts as the Commission by regulation may from time to time prescribe. The amount so prescribed, if the employee is enrolled for self only, shall not be less than \$3.00 monthly or more than \$4.00 monthly. The amount to be prescribed for a retired employee enrolled for self and family shall be twice the contribution for one enrolled for self only. A retired employee may not receive a Government contribution for more than one plan, nor may a retired employee receive a Government contribution if he is covered under the enrollment of another employee or retired employee who is receiving a Government contribution toward his enrollment.

(b) In addition, the Government shall contribute an amount, as prescribed by the Commission, up to 2 per centum of each contribution authorized by subsection (a) of this section to the Retired Employees Health Benefits Fund, for payment of expenses incurred by the Commission in administering this Act.

WITHHOLDING

SEC. 5. There shall be withheld from the annuity or compensation of each retired employee enrolled in the health benefits plan provided for under section 3 of this Act so much as is necessary, after deducting the contribution of the Government, to pay the total charge for his enrollment.

OTHER HEALTH BENEFITS PLANS

SEC. 6. (a) Subject to subsection (b) of this section, a retired employee who elects to obtain a health benefits plan, or to retain an existing health benefits plan, other than the plan provided for under section 3 of this Act, directly with a carrier, shall be paid a Government contribution to the cost of his health benefits plan which shall be equal in amount to the appropriate Government contribution established by the Commission pursuant to section 4(a) of this Act, but may not exceed the cost to him of the health benefits plan in which he is enrolled or which he retains or, if the plan combines health benefits with other benefits, shall not exceed the cost to him of the premium fixed by the carrier for the health benefits portion of the plan in which he is enrolled or which he retains. A retired employee may not receive a Government contribution for more than one plan, nor may a retired employee receive a Government contribution if he is covered under the enrollment of another employee or retired employee who is receiving a Government contribution toward his enrollment.

(b) A retired employee who enrolls in a plan shall be entitled to the Government contribution provided by this section only if the carrier of the plan (1) has been providing health benefits for at least one year and (2), if an insurance company, is licensed to issue indi-

vidual or group health insurance in all the States of the United States and the District of Columbia. Clause (2) of the immediately preceding sentence shall not apply to enrollment in a plan sponsored by an association or other organization more than 50 per centum of the members of which are Federal employees or former Federal employees.

(c) In addition, the Government shall contribute an amount, as prescribed by the Commission, up to 2 per centum of each contribution authorized by subsection (a) of this section to the Retired Employees Health Benefits Fund, for payment of expenses incurred by the Commission in administering this Act.

ELECTIONS

SEC. 7. Each retired employee shall, within such time after March 1, 1961, as the Commission shall prescribe, notify the Commission of his election (1) to enroll in the plan provided under section 3 of this Act, (2) to enroll in or retain another health benefits plan and receive Government contributions under section 6 of this Act, or (3) not to participate in the program offered under this Act. If the retired employee elects to enroll under clause (2) of this section, his election shall be accompanied by a certificate of the carrier certifying the fact of his enrollment and the cost to him of the health benefits plan, or of the health benefits portion of the plan.

RETIRED EMPLOYEES HEALTH BENEFITS FUND

SEC. 8. (a) The withholdings of retired employees under section 5 of this Act and the contributions of the Government under sections 4 and 6 of this Act shall be deposited in the Retired Employees Health Benefits Fund, hereinafter referred to as the "Fund", which is hereby created and which shall be administered by the Commission.

(b) The Fund shall be available without fiscal year limitation for all payments on account of the health benefits plan negotiated under section 3 of this Act, for payment of the Government's contribution provided for by section 6(a) of this Act to agencies of the Government which administer a retirement system for civilian employees of the Government, and for payment of expenses, not to exceed the Government's contributions authorized by sections 4(b) and 6(b) of this Act, incurred by the Commission in administering this Act.

(c) Any dividends or other refunds made by the carrier under section 3 of this Act shall be set aside in the Fund as a contingency reserve for the Government-wide plan. Such contingency reserve may be used to defray increases in future rates of or to reduce the retired employees' and the Government's contributions to, or to increase the health benefits provided by that plan, as the Commission may from time to time determine.

(d) The Secretary of the Treasury is authorized to invest and reinvest any of the moneys in the Fund in interest-bearing obligations of the United States for the purposes of the Fund. The interest on and the proceeds from the sale of any such obligations shall become a part of the Fund.

ADMINISTRATION

SEC. 9. (a) The Commission shall administer this Act and prescribe such regulations as are necessary to give full effect to the purposes of this Act.

74 STAT. 851.

74 STAT. 852.

(b) Such regulations shall fix minimum standards to be met by the carrier and the plan under section 3 of this Act, including extensions of coverage to be provided. The Commission may request all carriers to furnish such reasonable reports as the Commission determines to be necessary to enable it to carry out its functions under this Act. The carrier shall furnish such reports when requested and permit the Commission and representatives of the General Accounting Office to examine such records of the carriers as may be necessary to carry out the purposes of this Act.

(c) The Commission's regulations may include, but are not limited to, the following:

- (1) exclusions of retired employees from coverage;
- (2) beginning and ending dates of coverage, and conditions of eligibility;
- (3) methods of filing the elections required by section 7 of this Act and other information;
- (4) methods of making contributions authorized by section 6, and withholdings required by section 5 of this Act;
- (5) changes in enrollment;
- (6) questions of dependency;
- (7) certificates and other information to be furnished to retired employees;
- (8) contributions and withholding during periods of suspension of annuity payments and in other extraordinary situations;
- (9) when, and under what conditions, an election not to participate in the programs offered under this Act may be withdrawn; and
- (10) under what conditions and to what extent the cost of a plan shall be considered a cost attributable to the retired employee.

(d) Each agency of the United States or the District of Columbia which administers a retirement system for annuitants shall keep such records, make such certifications, and furnish the Commission with such information and reports as may be necessary to enable the Commission to carry out its functions under this Act.

68 Stat. 738.
5 USC 2094.

(e) There are hereby authorized to be expended from the Employees Life Insurance Fund, without regard to limitations on expenditures from that Fund, for any fiscal years from the date of enactment through the fiscal year ending June 30, 1962, inclusive, such sums as may be necessary to pay administrative expenses incurred by the Commission in carrying out the health benefits provisions of this Act. Reimbursements to the Employees Life Insurance Fund for sums so expended, together with interest at a rate to be determined by the Secretary of the Treasury, shall be made from the Retired Employees Health Benefits Fund which is hereby made available for this purpose.

APPROPRIATIONS

SEC. 10. The amounts authorized by this Act to be contributed by the Government shall be paid from annual appropriations which are hereby authorized to be made for such purpose.

ANNUAL REPORT

SEC. 11. The Commission shall transmit to the Congress annually a report concerning the operation of this Act.

EFFECTIVE DATE

SEC. 12. The health benefits program provided for by this Act shall take effect July 1, 1961. The contributions and withholdings provided for by this Act shall take effect on June 1, 1961, with respect to annuity or compensation accruing for periods beginning on and after that date.

Approved September 8, 1960.

